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NEWS SUMMARY

GENERAL

Front given 48 hours to decide. The Government has given the Patriotic Front 48 hours to accept the British plan for an interim administration in Rhodesia or face the breakdown of the Lancaster House talks.

Foreign Secretary Lord Carrington's conference chairman, has demanded an answer to Britain's proposal "within the next day or two". In an attempt to pressure the Front, British officials are again raising the possibility of a bilateral deal between Britain and Bishop Abel Muzorewa.

Fighting fund. Britain's largest civil service union, the Civil and Public Services Association, is to ballot its members on whether to inject £1m into the union's fighting fund to support action against the Government's expenditure cuts.

Army probe. The British army in Northern Ireland has said it plans to hold an investigation into newspaper reports that the IRA has been setting up regular road blocks in border areas close to the Republican stronghold of Crossmaglen.

Kidnap claim. Basque guerrillas said they have kidnapped leading Spanish parliamentary deputy Javier Ruperez who went missing in Madrid yesterday. Sources in Bilbao said the Basque Separatist organisation ETA made the claim in a communique to Basque news organisations.

Carl sentences. James Robinson, 45, and Vincent Hickey, 25, convicted of murdering 13-year-old newsboy Carl Bridgewater, have been sentenced at Stafford Crown Court to life imprisonment. Michael Hickey, 17, also found guilty of the murder, is to be detained during Her Majesty's pleasure and Patrick Molloy, 51, has been sentenced to 12 years for manslaughter.

Fire halted. Firefighters in the town of Mississauga in Ontario contained a blaze that had threatened to spark a poison blast and forced the evacuation of nearly a 1m people.

'Forces out' call. United Nations members from four continents backed a call for the immediate withdrawal of all foreign forces from Kampuchea at the start of a General Assembly debate on Cambodia.

BBC strike. BBC television programmes were affected as engineers staged a one-day unofficial strike over a grading pay claim.

UFO report. A Spanish airliner carrying 119 passengers made an unscheduled overnight stop in Valencia after the pilot reported he was being pursued by an unidentified flying object shortly after taking off from Majorca.

Briefly... Verdict in the trial of former Slater Walker director Richard Turling in Singapore has been postponed until next Tuesday. Three workers were killed in a chemical factory explosion in Sicily. About 30 people died when a bus crashed into the River Vega in India.

CHIEF PRICE CHANGES YESTERDAY

Table with columns for RISES and FALLS, listing various commodities and their price changes.

BUSINESS

Gilts and equities fall; £ firmer. EQUITIES weakened, unable to extend Friday's technical recovery and overshadowed by the general short-term gloom. The FT 30-Share Index lost 7.9 to close at 412.8.

GILTS fell for the eighth successive session on interest rate anxieties following the rise in bank base-rates, although losses were pared in late trading. The Government Securities Index shed 0.15 to 85.33.

STERLING was firmer due to market resignation over an imminent rise in MLR and the probability of higher oil prices after next month's OPEC meeting. The pound closed at \$2.1105 (\$2.0920) and its trade-weighted index touched a three-week high of 88.0 (87.3).

DOLLAR rose to DML7980 (DML7945) and SwFr. 1.6655 (SwFr. 1.6589). Its index rose to 87.7 (87.3).

GOLD rose \$3 to \$339.40 in London.

WALL STREET was up 7.51 at 813.99 shortly before the close.

THE GOVERNMENT has given an assurance that it will not stand in the way of the sale to the private sector of British Steel Corporation's Shotton and Corby works.

EL WORKERS will have to accept relatively low pay rises and agree to improve productivity, before the Government agrees to release the £425m of State funds the corporation is seeking.

EXPRESS NEWSPAPERS has dropped plans to introduce computer typesetting or photo-composition. Page 10.

MINERS' LEADERS expect the National Coal Board to improve its offer of rises between 11 and 15 per cent today, and are unlikely to accept much less than 20 per cent. Page 12.

THE DECISION by Fincus to build a £20m food plant near Newcastle could provide an extra 1,000 new jobs. Page 11.

VAUXHAL MOTORS almost secured complete acceptance by its 26,000 manual workers of its 17 per cent pay offer, when Merseyside men voted to end their 10-week strike. Page 12.

FRONOR, the Norwegian frozen food company, reports a 13.4 per cent rise in turnover to Nkr. 1.1bn (£106m) for the year to June 30. Page 26.

NORWEST HOLST profits before tax in the six months to September 30 rose to £2.42m (£2.17m) and shares put on 9p despite extraordinary losses of £4.5m. Page 20.

THE FT WORLD STOCK markets page acquires a new look today. Several indices have been changed and stock price lists have been revised. The space devoted to Japanese shares in particular has been increased. World stock markets Page 30. List company news Page 26 and 27.

Howe gloomy about chances of large tax cuts next year

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Sir Geoffrey Howe, the Chancellor, yesterday warned against expecting big income tax cuts in next year's Budget and stressed that bringing the money supply under control would have priority.

He told a conference of businessmen in London, that patience would be needed in the quest for a lower tax burden. "Even that important task cannot, and will not, be allowed to blunt our determination to keep borrowing down and the money supply under control."

Sir Geoffrey said he hoped to make further cuts in the basic rate of income tax in the years ahead but highlighted the large revenue costs of such cuts. While avoiding any specific commitments for next year, he said that "no Chancellor at this time could encourage over-generous expectations."

He pointedly noted that "with every day that passes" he realised "more clearly the appalling constraints imposed upon the British economy by a combination of low growth and in-built public expenditure."

Sir Geoffrey's speech represents a further stage in the Government's attempt to lower expectations in view of economic problems which are even more intractable than expected. His comments also highlight the Government's limited room for fiscal manoeuvre and in particular the potential conflict between ministers' desire to reduce public sector borrowing in 1980-81 and the upward pressure on borrowing as a result of the recession.

Sir Geoffrey made no reference, however, to the future of the corset controls on the banks.

Wider share ownership call

The Government favours measures to encourage direct private investment in shares, Sir Geoffrey Howe said yesterday. "We want individuals to invest directly in shares—shares of big quoted companies and shares of small new enterprises and in particular the shares of the companies in which they work and on which their livelihood depends... We must use every sensible means, including fiscal changes, to remove any undue bias against investment," the Chancellor declared.

The only political comfort for the Government yesterday came from the building societies. Mr. Norman Griggs, secretary general of the Building Societies Association, said it was very unlikely that the increase in the mortgage rate in January would be higher than the already-announced 4 point rise to 12 1/2 per cent.

Industrial production falls sharply

BY PETER RIDDELL

INDUSTRIAL OUTPUT has fallen sharply since the early summer, largely because of the engineering dispute and other strikes.

Central Statistical Office figures yesterday show that industrial output from July to September was about 2 1/2 per cent lower than in the previous three months. This can almost entirely be explained by the various strikes.

Output was particularly badly hit in September, when the all-industries index was 110 (1975=100, seasonally adjusted) compared with an average of 115.3 in the previous three months. Manufacturing production was even worse affected with a 7 per cent fall on a similar three-month comparison.

After adjusting for these disputes, the underlying level of industrial activity seems to have been fairly flat since the April-June period. Output was relatively high then following the sharp recovery from the depressed level of production in the winter.

There is a general expectation that output will pick up to some extent in the current quarter, after the end of the engineering dispute.

The Confederation of British Industry's most recent forecasts imply slightly higher levels of manufacturing production now than in the summer.

Most opinion surveys point to a weakening of demand and activity in the first half of next year.

The detailed figures show that North Sea oil and gas accounted for a large part of what growth there has been.

If the depressed July-to-September level of production is compared with the same period a year earlier, output of non-North Sea industries fell by 1 1/2 per cent, while gas and oil production rose by 50 per cent. One bright feature of the latest figures was a 5 per cent rise in coal output in the July-to-September period compared with the previous three months, partly reflecting higher productivity.

Otherwise, engineering output

Thatcher hints rise in interest rates near

By Richard Evans, Lobby Editor

THE "unpleasant and even painful remedies" that the Government will have to introduce to defeat inflation were confirmed by the Prime Minister last night in a speech at the Lord Mayor's banquet in London.

In particular, Mrs. Margaret Thatcher said the recent bank lending figures were a serious disappointment and the Government would take "whatever action is necessary to contain the growth of the money supply."

The clear implication was that the interest rates are likely to rise soon.

The Prime Minister's message was that this Government would face economic realities and would not be deflected from reducing inflation by essentially monetarist policies.

She argued it was still difficult to put across the message that the only cash the Government had come from taxation and from borrowing. "Pennies don't fall from heaven they have to be earned here on earth," she declared.

The Government had embarked on a long-term programme aimed at reducing the share the State took from the country's national resources.

She was not wholly pessimistic on the prospects for further cuts in taxation. "Already we have made major tax changes and we shall return to this theme in future budgets."

The Government faced many hard decisions. "Sometimes we have to prescribe unpleasant and even painful remedies but that is because we really care about curing the disease that has afflicted Britain."

The underlying theme of her speech was that responsibility for prosperity lay on individuals, not just the Government.

With the Dublin European Economic Community summit looming closer, the Prime Minister stressed that Britain could continue no longer as Europe's "most bountiful benefactor."

He thanked the American people for having shown restraint so far in their reaction to the Iranian crisis, and urged a continuation of this while "every available channel" was explored to resolve the impasse.

At no stage in his remarks did he mention Ayatollah Khomeini, Iran's leader, by name, and White House officials were at pains to emphasise that his approach was not designed to offend the revolutionary regime in Iran.

In a special briefing after the President had spoken, Mr. Cyrus Vance, the Secretary of State, revealed that Iran had been informed of the U.S. action only 15 minutes before it was made public, and described the President's order as "an act of self-discipline on our part."

He said that no arrangements had been made in advance for additional purchases of crude oil from other producing countries, and added that the impact of Mr. Carter's order on domestic oil prices depended on the effectiveness of U.S. domestic conservation.

Mr. Duncan said that in the event of supply problems, stand-by allocation laws were already on the books to alleviate any regional hardship. The Administration is clearly relieved that it has virtually reached its target of building up stockpiles of home-heating oil to the desired 249m barrels-a-day level before the winter.

A fresh offensive by rebel Kurds and a violent demonstration by unemployed workers in the capital last night had Iran's rulers on the defensive on two vulnerable fronts.

Carter bans Iranian oil imports

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

PRESIDENT JIMMY CARTER announced yesterday that he was banning direct importation of Iranian oil because of the holding of American hostages at the U.S. Embassy in Tehran.

Appearing in a White House Press room to disclose his move, a grim-faced Mr. Carter made it clear that the U.S. had no intention of bowing to economic pressure from Iran to secure release of the 60 or so American diplomats held hostage following the storming of the mission in Tehran two weeks ago.

The President said: "We continue to face a grave situation." He called demands for release of the deposed Shah to the Iranian Government "unacceptable." He would "refuse to permit the use of terrorism to impose political demands."

"No-one should underestimate the resolve of the American Government and the American people to resist demands of the Iranians," he added.

Iran supplied the U.S. with about 700,000 barrels of oil a day, just under 10 per cent of total oil imports, and between 4 and 5 per cent of total consumption.

Mr. Carter did not state whether the U.S. would make up the shortfall by additional purchases from elsewhere, either through other countries or on the volatile spot market.

He did, however, issue a strong plea for Americans to assume some of the burden by using less oil, and said he was instructing Mr. Charles Duncan, his Energy Secretary, to confer with Congress on additional conservation measures.

Mr. Carter added that the U.S. would shortly confer with other major oil-consuming countries on the whole issue. U.S. conservation, he said, must be part of an "effective international effort" to deal with the problem.

He said that "the lives of our people in Iran are at stake."

He thanked the American people for having shown restraint so far in their reaction to the Iranian crisis, and urged a continuation of this while "every available channel" was explored to resolve the impasse.

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Olympia brings you the intelligent typewriter. (It thinks before it inks—at 200 wpm.) Advertisement for Olympia typewriter with image of the machine and promotional text.

BP offer 50% oversubscribed

BY CHRISTINE MOIR

THE GOVERNMENT offer for sale of 80m British Petroleum shares has been 50 per cent oversubscribed, but the news of the allocation terms created no scramble in the stock market.

Small investors—those applying for 1,100 shares or less—will get all they applied for; applicants for up to 2,400 shares will get 1,115; larger applications will be scaled down to 45 per cent of the shares asked for.

BP employees applied for 2.17m shares, and as promised these applications were honoured in full. A further 1.97m were allocated to the company's employee share scheme. Together these two tranches topped up 5.17 per cent of shares on offer.

The Bank of England announced the terms of the allocations at 9 am. By then the jobbers were already at their pitches in the stock market, having been given a extra half hour's grace to prepare for a possible rush of dealings at 9.30.

In the event dealings were slight. The "stags," those planning to buy shares in the expectation of being able to sell them at a profit almost immediately, had apparently been shielded away from the issue because of the weakness of BP's share price over the last year.

The new partly paid shares opened at 156p, against a cost of 150p, but soon dropped to 150p before finally settling at 164p. The Ordinary shares also lost further ground, falling 6p to 358p.

The Stock Exchange had arranged for oil jobbers to keep their pitches open until 5 pm, an hour-and-a-half after normal closing. But by 2 pm it had assessed the demand and cancelled the late closing.

Dealers openly said that the market had been "disappointing" in their terms, though they admitted that absence of a dealing scramble must have pleased the Bank.

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Table listing various news items and their page numbers, including American News, European Options, Parliament, etc.

Table listing various news items and their page numbers, including Annual Statements, Olympia Business Machines Co. Ltd., etc.

For latest Share Index phone 01-246 8026

EUROPEAN NEWS

Swiss change of heart on reserve role for franc

BY DAVID MARSH IN BASLE

THE Swiss National Bank has recently taken a significant step towards boosting the reserve currency role of the Swiss franc. The move highlights a growing need for the world's monetary authorities to offer facilities for increasingly wealthy central banks from developing countries to diversify their official reserves out of dollars into other major currencies.

Searchers call off Norwegian ship hunt

By Fay Gjester in Oslo

THE Norwegian authorities yesterday morning called off the air and sea hunt for survivors of the oil/ore carrier Berge Vanga, which disappeared in the south Atlantic two weeks ago. The 224,000 tonne dwt Norwegian ship was officially declared lost on Friday, after wreckage found in the area indicated that there had been an explosion on board.

N-power vital to pulp industry, Swedes told

BY OUR STOCKHOLM CORRESPONDENT

SOME 20 per cent of the Swedish pulp and paper industry could be put out of business during the 1980s, if the Swedish people vote against nuclear power in a national referendum next March. The industry's net export earnings, expected to reach SKr15bn (£1.7bn) this year, would be over a third lower by 1990.

that the price of electricity would rise by half to cover the cost of generating alternative electricity in coal-fired power stations. An increase of this size would threaten the jobs of about 10,000 people directly employed in the mills and a further 13,700, whose work is indirectly linked to the industry, the study estimates. Some 17 per cent of newsprint and magazine production would become unprofitable, while as much as 85 per cent of mechanically produced pulp would have to be abandoned.

If the increase in the electricity price could be held to 25 per cent, the reduction in total output of pulp and paper would be 10-12 per cent with a potential loss of some 15,000 jobs, according to the study. A vote against nuclear power would have even more serious consequences than those outlined in the INDEVO study, comments Mr. Bo Wergens, managing director of SPPA. With a 50 per cent increase in the electricity price, the profit-

ability of about half the mills would be so severely curbed that they would be unable to generate new investment capital. The result would be stagnation. SPPA contrasts this sombre picture of the effect of a vote against nuclear power with its recent calculation that, if it could obtain more energy at a reasonable price, Swedish paper output could be raised from its current 9m tons a year to between 9m tons and 9.5m tons

a year in the beginning of the 1980s. Meanwhile, Sydkraft, the southern Swedish power company, yesterday sought government approval for a SKr3.2bn investment in two new coal-fired plants to supply electricity in the second half of the 1980s. The plants would be needed, whatever the outcome of the nuclear referendum, if Sweden's oil dependence on imported oil were to be reduced, the company said.

ICELAND HEADS FOR GENERAL ELECTION

Tough decisions needed to combat inflation

BY WILLIAM DULLFORCE, RECENTLY IN REYKJAVIK

THE Icelanders are a hardy race. They have resisted the storms of the North Atlantic and the rigours of life on their barren, volcanic island for over a thousand years. But their morale is now being sapped by a modern disease—inflation. The only cure may be a generation shift among their political leaders, for one of inflation's more insidious effects is that it creates addiction and resignation among those who have had to deal with it longest.

for a deficit of around IKr 5bn (\$1.43m), that consumer prices would rise by about 55 per cent during the year and that borrowing abroad would be even higher than in 1978. Their leader, Mr. Benedikt Gröndal, is now running a caretaker government.



Ludvik Josefsson, leader of Iceland's left-wing People's Alliance: question mark over future role.

One setback to the coalition's plans was the rise in oil prices. Iceland buys most of its petroleum products from the Soviet Union under a five-year trade agreement which fixes prices at the level prevailing on the Rotterdam spot market. Fuel oils are vital for the fishing fleet and to a large extent for house heating. The rise in the Rotterdam prices will double the oil import bill this year and the Russians have declined a request to supply crude oil next year which the Icelanders could have refined on their own account in Western Europe.

But the oil problem does not account for the government's failure to meet its targets. It will help to enlarge the current account deficit to some \$14m this year, but the fish catch has been big, exceeding the limits set by the marine biologists, and export prices for the fish have been good. Aluminium prices have improved and the country's smelter has been working to capacity. A new ferro-silicon plant came into production in June.

The National Economic Institute estimates that the terms of trade will have deteriorated by 3 per cent. So on December 1 wage-earners will get only an 11 per cent increase in pay. One shudders to think what will happen to Iceland's inflation should its terms of trade improve.

To beat inflation the next government must cut real incomes. But it must get the right policy-mix to make the cut and the reduction in wage-price indexation palatable. Negotiations on a new national pay agreement are due to start and the Employers' Federation has already indicated that it wants tripartite talks with the unions and government to evolve an incomes policy. The position is complicated by the Icelanders' commitment to maintaining full employment.

In Reykjavik, where they need to recover seats lost in 1978, they are presenting a list of old, familiar faces whose appeal to voters may be wearing thin. Their leader, Mr. Geir Hallgrímsson, who was Prime Minister from 1974 to 1978, is highly respected but lacks the popular touch.

The other parties have problems with their leaders. The Social Democrats can scarcely expect to hold the gains they made in 1978, when a group of young candidates took the voters by storm with new-broom promises. The Young Turks are not happy about Mr. Gröndal's leadership.

Mr. Jóhannesson, who is 66, has talked of retiring and the Progressives have a new chairman, but as the election campaign advances suspicions have grown that the former premier intends to continue to play a major role.

The same applies to Mr. Ludvik Josefsson, 65, the People's Alliance chairman, who is not seeking re-election to the Althing. The record of both these leaders suggests that they would not welcome the tough deflationary economic package, about which their juniors might just agree.

Like the weather the Icelandic political scene remains unstable and cloudy. One cannot be sure that the election will produce a coalition ready to tackle inflation effectively, although Mr. Hallgrímsson seems determined to try, if he gets the chance. For Iceland's NATO allies there is the consolation that opposition to the air base at Keflavik has been completely overshadowed by the economic issues and does not appear to be an election issue.

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Today the young are rapidly losing all faith in the money economy, the old griave at the collapse of their values, while even the bold who improved their material well-being by amassing swiftly-depreciated debt are heartily sick of the system. It is in this climate that Iceland's politicians are lining up for a new general election on December 2 and 3. The poll has been brought about by the collapse of the left-wing coalition formed by the Progressive Party leader, Mr. Ólafur Jóhannesson, in September 1978. The Progressives, mainly a farmers' party with 12 of the 60 Althing (Parliament) seats, had as their partners the left-wing People's Alliance (14 seats) and the Social Democrats (14). The conservative Independents (20) formed the opposition. Mr. Jóhannesson promised to bring the rate of inflation down from 50 to 30 per cent in 1979, to balance the budget by the end of the year and to curb foreign borrowing. The Social Democrats pulled out early in October, when it was apparent that the budget was heading



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BARRE MAY CALL FOR CONFIDENCE VOTE

Crisis week in French budget row

By Robert Mauthner in Paris

THE DISPUTE over France's 1980 budget between the Government and the Gaullist RPR party, one of the two main coalition partners, could blow up into a major crisis if no compromise is found by the end of this week.

insisted that they will not take their opposition as far as bringing down the Government. But even if they do not vote for a censure motion, which can only be adopted with their support, relations between the coalition partners will have been seriously damaged.

ing the Gaullists' demands, by offering to make expenditure cuts of FF200m, which could be raised further by between FF100m and FF300m if it came to the push. But the Gaullists have given no sign that they are prepared to accept such relatively small reductions.



M. Raymond Barre: no luck with the Gaullists.

Hague talks on more missiles for NATO

By Reginald Dale, European Editor in The Hague

NATO Defence Ministers meet in The Hague tomorrow to prepare the way for one of the most important decisions the alliance has made in 20 years.

Demirel takes office after cabinet ratified

By Metin Munir in Ankara

TURKEY'S NEW Prime Minister, Mr. Suleyman Demirel, took office yesterday after President Fahri Korutluk ratified his 28-member Cabinet.

Mr. Demirel has chosen his ministers from among the moderate and uncontroversial Justice Party MPs. Mr. Ismet Sezgin (50) is Minister of Finance. He has been an MP for 18 years, formerly serving as Minister of Sport. He is also a veteran of Parliament's budget committee.

W. German Liberals oust local party chief

By Jonathan Carr in Bonn

IN A MOVE evidently dictated by fears of serious election losses next year the West German Liberal Free Democrats in the country's most populous state has ousted its own leader while he lay ill in bed and named a successor.

Leading banks put up rates

By Our Paris Staff

SEVERAL LEADING French banks raised their minimum lending rates from 11.05 per cent to 11.5 per cent yesterday, in response to the trend towards dearer money in the U.S. and West Germany.

Strikers call on Minister to act

By Terry Dodsworth in Paris

UNION LEADERS in the bitter strike at Alstom-Atlantique, the French engineering company, have asked for the intervention of M. Jean Matteoli, the new Labour Minister. The move represents a last-ditch attempt to solve the seven-week-old situation in which has become a test case for the Government's anti-inflation policy.

local conciliation committee gave a 62 per cent vote in support of continuing the dispute; the number of people who voted rose from 59 per cent at the beginning of October to 75 per cent.

court order authorising such an action has been held in respect for a week, but could be activated at any time. The government conciliation services have also been asked to intervene in the long-running dispute at Dassault, the aerospace company, which has broken out over a similar salary and conditions claim.

Disruption increases at airports

By Our Paris Staff

THE SITUATION at French airports became increasingly chaotic yesterday. Neither the striking air traffic controllers nor their employer, the French Government, showed any sign of altering their position.

Take-off clearance was refused yesterday between 8 am and 7 pm in the nearest equivalent to an all-out strike since the present action began two weeks ago. Many flights were either cancelled or delayed, and timetables were changed to ensure long-haul services.

French airports are due to be held up for most of the afternoon. Air traffic controllers at a number of other centres have come out in support of their Paris colleagues.

The independent National Air Traffic Controllers' Union attacked the "intransigence" of the authorities and demanded mediation in the dispute.

EEC funds proposed to compensate sheep farmers

By Margaret van Hattem in Brussels

The EEC Commission, in an apparent attempt to help the French Government out of its political predicament on lamb, yesterday proposed that Community funds be used to compensate French sheep farmers should their prices drop as a result of British imports.

would cost 186m units of account while intervention by the Commission, which estimates it would need to buy up about 20,000 tonnes, would add about 35m units of account to this.

Basque guerrillas claim kidnapping

Basque guerrillas said yesterday they had kidnapped Sr Javier Ruperez, a prominent member of the ruling Union de Centro Democratico, writes our Foreign Staff. This and growing violence in the Basque country, have come as an uncomfortable reminder of Spain's internal security problems. Sr. Ruperez, who is in charge of the party's foreign relations, disappeared on Sunday in Madrid. So far, there has been no word of conditions for his release.

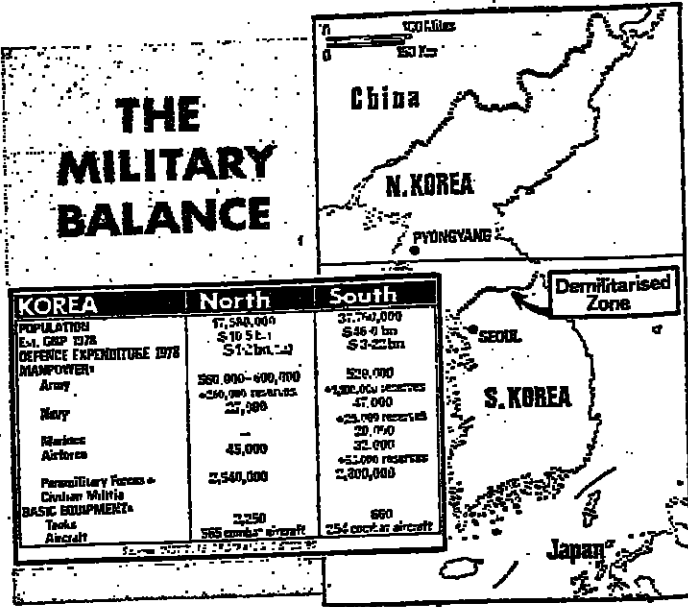
Advertisement for Wypall industrial rags. Features a large image of a hand holding a rag and the headline 'Will it wipe out the rag trade?'. Text describes Wypall as a tough, absorbent, and reusable rag made from cellulose fibres bonded with resin. Includes contact information for Alan Hubbard, Bowater-Scott Corporation Ltd.

OVERSEAS NEWS

Political turmoil heightens super-power unease

Charles Smith, recently in Seoul, assesses the stormy relations between North and South Korea

TO JUDGE by the deadpan tone of their reporting on the subject the North Koreans were as baffled as anyone else by the mysterious shooting of President Park Chung Hee in Seoul ten days ago. But this does not mean the North is going to sit quietly through any political upheavals in South Korea that may follow the President's death.



President Kim Il Sung, North Korea's ruler, who helped lead resistance to Japanese rule before 1945. He has dominated the Democratic People's Republic in September 1945. He has dominated internal freedom and maintained a delicate balance in foreign relations between Moscow and Peking to become one of the world's longest-surviving political leaders.

it would be well advised to propose an armistice along a new ceasefire line south of the capital. Such a division would leave South Korea with much less than half the population of the Korean Peninsula, as opposed to its present 60 per cent share. The unification of the country on Pyongyang's terms could then be expected to follow "painlessly" assuming (as the South Koreans do) that the non-Communist South would have been fatally weakened by the loss of the capital.

The importance attached to the U.S. military presence explains why South Korea and everything in its power during the three years after President Carter's election to persuade Washington to scrap the plan for a phased troop withdrawal which had formed part of Mr. Carter's election platform. With the withdrawal plan formally in a state of "abeyance," and with U.S.-South Korean relations in better shape today than they would appear for some years, they should be "safe" from northern intervention, provided it remains stable internally.

Tension high as plea for Mayor of Nablus fails

TENSION continued to run high on the occupied West Bank of the Jordan yesterday as the Israeli Supreme Court turned down an application for the release of Mr. Bessam Shaka, Mayor of Nablus. Mr. Shaka was detained by the Israeli authorities on Sunday after expressing sympathy with Palestinian guerrilla actions against the occupation.

A radical at Iran's Foreign Ministry

IRAN'S new supervisor of foreign affairs, Mr. Abol Hasan Bani-Sadr, has played an important role behind the scenes in the nine months since the success of the anti-Shah revolution. His appointment to a job which will range much further than the traditional Foreign Ministry portfolio is not going to please the international oil companies or reassure Western governments.



Mr. Bani-Sadr: a key figure in economic plans

Division at UN as Cambodia debate starts

UNITED NATIONS members from four continents supported a call yesterday for the immediate withdrawal of all foreign forces from Cambodia at the start of a General Assembly debate on Cambodia. Vietnam led a counter-resolution which called on states to refrain from any activity which "would constitute interference" in Cambodia's internal affairs.

Australian unions seek rise for 6.4m workers

AUSTRALIA'S centralised wage-fixing system limps into its next phase today when the Arbitration Commission begins hearings for a national wage rise to compensate for cost of living increases in the June and September quarters. The future of indexation itself will be under scrutiny and some submissions are expected to focus on whether the system should be scrapped.

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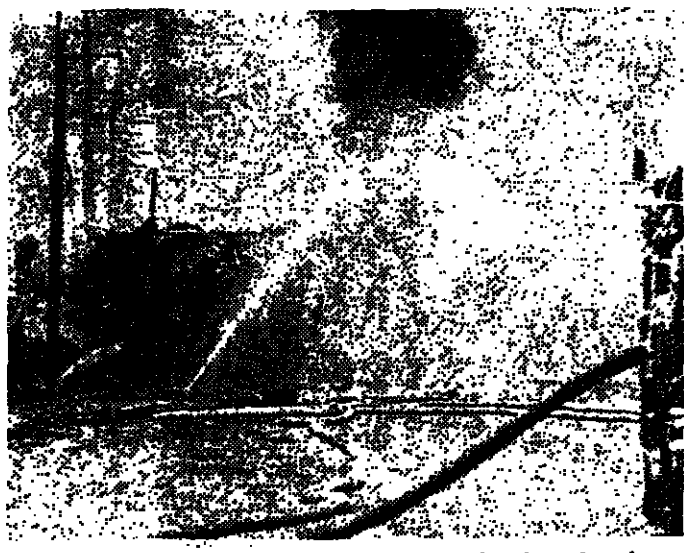
THE BANK THAT MEANS BUSINESS.

AMERICAN NEWS

FREDERICK LANGAN REPORTS FROM MISSISSAUGA

240,000 flee chlorine

ALMOST a quarter of a million people have been evacuated from the city of Mississauga in Ontario after a spectacular train derailment which left one propane tank car burning and another leaking poisonous chlorine gas.



Firemen fight to extinguish the flames pouring from burning rail wagons after the derailment at Mississauga.

The chlorine was leaking from a small fracture in the tank car but several hours later all of the escaped gas had dissipated. There were no injuries in the initial explosion.

The city of Mississauga, west of Toronto, Canada's largest city, is deserted. All schools, factories and businesses were closed as 240,000 people were evacuated from a 65-square-mile area.

Police said at noon yesterday that people will be asked to stay away at least until tomorrow. They said the propane tank was still burning and there was "some potential for an explosion."

A spokesman for Canadian Pacific Railways said the derailment, which touched off the explosion and fire at midnight on Saturday, occurred after a wheel-bearing overheated and broke. The blast was heard and felt 30 miles away.

Experts are waiting for the propane to burn off before trying to seal the leak in the tank car, which is holding 90 tons of chlorine.

No deaths or injuries were reported in this city, 10 miles west of Toronto, but police, firemen and evacuees complained of nausea, headaches and watery eyes from the fumes, which spread more than six miles from the site of the fire. There were no reports of damage to nearby buildings.

Reuter adds: Firemen said the fire had been contained, and was stable, reducing the risk of the flames spreading to a tanker of poisonous chlorine gas which had leaked fumes into the air.

Derailment revives tanker safety fear

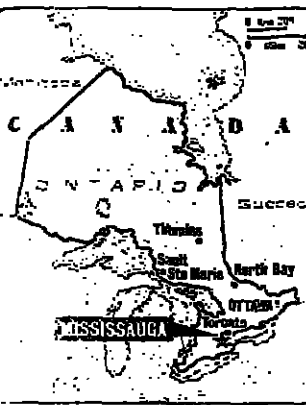
By Sue Cameron, Chemicals Correspondent

THE CANADIAN freight train derailment and the ensuing rupture of a chlorine tank at the weekend have brought to the surface old fears about the dangers of transporting chemicals by road and rail.

Industry sources said yesterday that the Canadian authorities appeared to be taking the maximum precautions—wisely enough—against the possibility of a huge chlorine gas cloud being released over Ontario. Yet chlorine, is probably one of the safer chemicals to transport.

Chlorine is made from the electrolysis of brine, and is used as an industrial solvent, in water purification and in the manufacture of PVC and dyes. It is non-flammable and non-explosive. A small hole in a freight tanker would normally lead to the gas escaping only slowly and in small amounts, because chlorine is cooled and pressurised to make it liquid when it is being transported.

A split in a tanker wall releases some of the pressure, but as the chemical seeps out it vapourises on contact with the air and creates a layer of ice over the hole. A tiny hole can sometimes be completely sealed in this way.



But the derailed Canadian train was carrying propane, toluene and caustic soda as well as chlorine. What the authorities there fear is that burning propane will split the chlorine tank from end to end and that the heat will drive all 70 tonnes of the gas into the air. Weather conditions will then dictate how quickly the cloud is dispersed.

Chlorine is a heavy gas and a cloud of it would tend to drift downwards. It can suffocate in very small concentrations. A human being would suffer acute irritation to the eyes, throat and lungs after only 10 minutes' exposure to between 2 and 3 parts of chlorine per million of air. A concentration of 50 parts of chlorine per million of air would bring a very real danger of suffocation and 100ppm would probably be fatal.

Clark plans new oil industry tax

OTTAWA—Mr. Joe Clark, Canada's Prime Minister, will impose a new oil industry revenues resulting from increased domestic oil prices, he said yesterday.

The Government is also considering increased excise taxes on selected oil products to reduce demand, he told a national energy conference. The extra tax revenues will be used by the Government to fund an energy bank for new energy projects and to pay for increased conservation and a programme to offset the immediate economic impact of higher oil prices.

Forecasts by the National Energy Board show Canada's reliance on oil would bring a net gain of 370,000 barrels a day this year, to 800,000 b/d by 1990. Demand for some oil products, however, has risen by more than 4 per cent this year. Three times the rate assumed by the Energy Board in its forecast.

Canada's role in the Tokyo economic summit to cut demand for oil imports by some 100,000 b/d from the levels forecast for 1979 and 1980.

"Indications are that we will miss our target by something like 10 per cent, unless something is done," Mr. Clark said. Reuter

Tokyo urged to take stake in Saudi chemical project

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

THE JAPANESE Government is considering taking a direct stake in a \$270m Saudi Arabian project to manufacture methanol from natural gas, according to the Ministry of International Trade and Industry. Methanol's main uses are as a solvent, in the manufacture of formaldehyde, anti-freeze and other chemicals.

The Japanese promoter of the project, Mitsubishi Gas Chemical Company, is one of the largest of Japan's domestic methanol producers. Mitsubishi, along with three other methanol manufacturers and the trading company C. Itoh and Co. are to be shareholders in the joint venture company that will operate the plant.

The five companies have proposed that the Overseas Economic Co-operation Fund (OECF) (a government soft loan agency) join the project by acquiring a 40 per cent capital stake in the joint venture company. If the government accedes to the request the OECF would probably be required to put up about Yen 3.6bn (\$7.35m). In

return for Government involvement it is hoped that Saudi Arabia step up supplies of direct deal oil to Japan.

The Saudi project, at the Al Jubail industrial estate, will produce 600,000 tons per year of methanol from 1983 onwards, of which 100,000 tons will be consumed domestically. The Japanese promoters will acquire the remaining 500,000 tons, of which 300,000 tons will be imported into Japan and the remainder exported (chiefly to other parts of the Far East). Japan's domestic methanol production may be reduced to allow room in the domestic market for the Saudi imports which could be cheaper than current domestic production. Methanol in Japan is made partly from butane gas and partly from natural gas produced in Niigata prefecture.

The question of Japanese official participation in the Al Jubail project has become urgent in that construction work is due to start early next year, with completion scheduled for 1982. A formal agreement on the project will be signed on

November 24 by Saudi officials and by the Japanese promoters. Sixty per cent of the cost of the \$700m project will be funded by Saudi Arabian Government loans, with 10 per cent coming from Japanese commercial banks and the remainder (about \$90m) contributed by the joint venture company. Mitsubishi Gas and the four other Japanese private sector shareholders are at the moment committed to putting up a total of ¥1.5bn (about \$3m) worth of capital for the joint company. This sum will have to be increased before the plant comes on stream.

If the Government decides to become involved then the Saudi methanol plant will be the second Japanese-backed chemical project in the Middle East to be declared a "national project". The first was the much larger Bandar Khomeini petrochemical complex in Iran. The OECF will acquire a ¥20bn capital stake in the Bandar Khomeini project as part of a re-financing plan made necessary by the political upheavals in Iran.

ECGD in £117m loan to Romania

By Our Foreign Staff

THE EXPORT Credits Guarantee Department has guaranteed a \$117m loan to the Romanian Bank for Foreign Trade, the ECGD announced yesterday. The loan was made by Lloyd's Bank acting on its own behalf and for the Anglo-Romanian Bank.

It will help finance contracts awarded to British Aerospace by Central National Aeronautics Bucuresti. The Romanian state enterprise for foreign trade, Central National Aeronautics Bucuresti, has a licence agreement and the supply of expert components for the assembly of British Aerospace SABC 1-11 aircraft. Under the co-operative venture, three of the aircraft will be delivered to Romania and a further 22 will be built in that country.

Meanwhile, the Overseas Development Administration has announced that Britain will give a new £15m grant to India to finance British goods and services needed to maintain the productive capacity of the Indian economy. The grant will largely be spent on the purchase of high grade steel plate from the British Steel Corporation.

The ODA also will provide £4m in new grant aid to Uganda, which will be largely tied to the purchase of goods and services from the U.K. Britain's present aid to the country totals about £2m.

Banks back Parana dam

PARAGUAY — Argentina and Paraguay have signed an interest-free loan contract for \$280m (\$200m) to pay for the Yacreté hydroelectric dam on their Parana River border. The matching loans, provided by the World Bank and the Inter-American Development Bank, will enable a binational company to start building the \$550m dam, which is scheduled to start generating in 1985 and which will produce 2,700 megawatts of electricity when completed in 1990.

Sicily credit to China

Banco di Sicilia has become the first Italian bank to grant an export credit to China, the bank's spokesman said yesterday. The bank's credit is a \$75m (€55m) to the Bank of China. The credit will be of five, seven or 10 years, depending on China's wishes.

Canada aids Abidjan

The Export Development Corporation and a bank consortium led by the Royal Bank of Canada has concluded a \$228m loan agreement to support the building of a clinic in Abidjan, Ivory Coast. Reuter reports from Ottawa. The consortium includes the Bank of Montreal, National Bank of Canada, Canadian Imperial Bank of Commerce and Toronto-Dominion Bank.

Swiss win Iraq order

Sy Deco, the Zurich-based civil engineering company, has received an order worth Sfr 20m (\$2m) for work on four agricultural training colleges in Iraq and delivery of pre-fabricated building elements and special equipment. John Wicks writes from Zurich. The contract is covered by the Swiss Export Risk Guarantee and by Swiss-Franc letters of credit.

EEC grant to Liberia

The European Community Commission will grant Liberia 7.5m units of account (€5m) in compensation for the sudden drop in the country's receipts from exports of iron-ore pellets last year, AP-DJ reports from Brussels.

Saudi job

The export division of H. H. Robertson (UK) has won orders worth £1.6m for the provision of building cladding systems to three major construction projects in Saudi Arabia, the company announced. All the materials are being manufactured at the Robertson factory in Ellesmere Port, Cheshire, UK.

Chinese buy Buryoughs

Buryoughs Corporation has received a \$22.2m (£11m) order from the National Instrument Import and Export Corporation of China for data-processing equipment to be used by the Ministry of Foreign Trade. Buryoughs has announced. The order calls for the purchase of two B-3950 medium-scale computers, one B-876 system, 35 MT 600 modular data entry systems, and three B-92 small-scale computers. The equipment is scheduled for installation at four sites in Peking in November, 1980.

France-Mexico deal

AN order worth some FFr 90m (€10.2m) has been placed with French Construction Mechanique, a Silver Brothers, for the Swiss aggregates for the Cutzmalala John Wicks writes from Zurich. The contract was won against competition from West Germany, North America and

SENIOR MINISTER VISITS LONDON

UK seeks more Greek contracts

BY N. J. MICHAELSON IN ATHENS AND DAVID TONGE IN LONDON

A MAJOR attempt to increase the share of Greek public sector projects won by British companies is to be made this week during the visit to London of Mr. Constantinos Mitsotakis, the Greek Minister of Industry. Having shown more qualms than the French about accepting contracts from the colonels during the 1967-74 dictatorship, Britain now finds it is still lagging behind in post-junta contracts. But it is hoping to sell two 350 megawatt coal-fired electricity generating units to the Greek Public Power Corporation. There is also a sizeable British interest in arms sales and, in the longer term, in projects such as railway electrification.

Mr. Mitsotakis, who arrived yesterday, is the guest of Mr. John Nott, the Trade Secretary. However, the appointments arranged for him reflect the wide powers of his own ministry. He is due to meet Lord Carrington, the Foreign Secretary, Sir Geoffrey Howe, the Chancellor of the Exchequer, Sir Keith Joseph, the Secretary for Industry, Peter Walker, the Minister of Agriculture and Sir Gordon Richardson, the governor of the Bank of England. He is also due to meet a wide range of defence officials and companies.

Mr. Mitsotakis has said that his discussions will not cover a project by Greece to buy British tanks and set up a local tank factory. This project has been postponed because of the need for austerity and the continuing emphasis given to the Greek Navy and Air Force. In general, arms purchases have been more delayed than the British would like.

Interested in exploring the possibility of buying British North Sea oil, reportedly Greek officials have some doubts over whether Libya intends to abide by a contract signed in February under which it would supply Greece with 1.575m tonnes of crude over the next five years. This contract would have been equivalent to about 50 per cent of Greece's crude requirements and the price was apparently intended to be below normal OPEC rates.

Greece's first nuclear power plant, scheduled to come on stream in 1987, is still at the planning stage and will not be discussed. However, one major project which will be raised by the Minister is a new alumina plant. Greece is keen to establish a plant-making use of its country's large bauxite reserves.

In the energy field Greece is

BSC in Far East joint venture

BY ROY HODSON

OPPORTUNITIES to win major new contracts for steel construction and civil engineering works in South East Asia, have prompted Redpath Dorman Long International, a subsidiary of the British Steel Corporation, and the Jardine Engineering Corporation to join forces to tender for work in the area.

A new company formed by the two groups is called the RDL Jardine Joint Venture. It will undertake design, fabrication, and construction of steel-based projects. It will also handle the technical and engineering management of contracts drawing upon the

experience of RDL in those fields. The partnership has been forged at a time when there is growing speculation that British Steel may offer for sale the engineering, constructional and bridge-building interests combined in RDL and the chemical activities in BSC (Chemicals).

The Government has discussed the possibility of sales of BSC's peripheral assets as one means of offsetting the corporation's continuing losses which are likely to reach between £250m and £350m in the current financial year.

RDL built the undersea road tunnel in Hong Kong and has an association with the colony in steel-work construction spanning more than half-a-century. RDL International is currently working on a HK\$20m aircraft service facility at Kai Tak Airport for the Hong Kong Aircraft Engineering Company.

Pakistan deficit widens

BY PETER WOOLAS IN ISLAMABAD

PAKISTAN'S exports reached a record \$1.7bn (£813m) in the financial year ended June 1979, according to figures recently released here. This is an increase of just over 30 per cent on the previous year's export earnings and is some \$50m up on the target set for the year.

While business and commercial circles have been encouraged by this performance, it has been more than offset by the imports bill. Imports for the year rose by 31 per cent to \$7.7bn, pushing the trade deficit up from \$1.5bn to almost \$2bn.

The deficit is largely responsible for Pakistan's persistent balance of payments problems, particularly as remittances from Pakistani workers abroad have

tended to level off in the past year. Details of import figures reveal exceptionally large rises. Wheat imports climbed 162 per cent following a poor harvest, while purchases of fertiliser soared 168 per cent and of edible oil 71 per cent.

On the export front traditional products like rice, cotton yarn and cloth and leather accounted for most of the earnings. The textile and leather goods and surgical items showed an improvement.

Officials were confident that this year's export target of \$1.9bn will be reached. But there is less confidence on the import problem, which Western economists say demands action if the country's economic performance is to be improved.

Firm stand on U.S. textiles sought

BY RHYS DAVID

THE EEC Commission must stop "pussy-footing" on the question of cheap U.S. fibre and textile exports if it is to save the UK industry from being strangled, Mr. Leonard Regan, president of the British Textile Confederation, urged last night.

In the strongest response yet to the continued increase in U.S. penetration of the UK market, Mr. Regan, who is also chairman of Carrington Vinyella, said the UK Government must force the EEC Council of Ministers at its meeting next week to honour commitments to prevent disruption in the Community textile market.

UK fibre and textile producers presented evidence to the EEC in April that, because of artificially low prices for energy and fibre feedstock, U.S. producers were gaining a price advantage of between 10 and 20 per cent on man-made fibres and yarn. As well as amounting to unfair competition, the U.S.

policy of keeping oil cheap for domestic uses was intolerable in the present energy crisis, the industry has been arguing. This artificial price advantage increases with each rise in world oil prices. Added to the undervalued dollar, it has enabled the U.S. to grab a rapidly growing share of the UK market—for example 28 per cent of the UK's polyester filament yarn market compared with 73 per cent a year ago, Mr. Regan said.

Mr. Regan pointed out that when the Tokyo Round negotiations were completed earlier this year, the EEC Council of Ministers had agreed to take action under GATT rules if this artificial pricing led to the threat of disruption in the Community market.

The threat is now a reality which grows in severity every week and undermines virtually every sector of our textile industry. All that has happened

Final vote on windfall Bill today

BY OUR WASHINGTON CORRESPONDENT

THE OIL windfall profits tax, the most controversial element in President Jimmy Carter's energy programme, today reaches the Senate floor for a final vote by the full Upper House after a spate of recent successes for the President on energy legislation.

Worries about oil supplies from Iran were a factor in speeding Congressional approval last week of a programme to use Government revenue to support the development of synthetic fuels.

This followed similar action in the legislature on setting up an Energy Mobilisation Board (to accelerate non-nuclear energy projects), and on a petrol rationing stand-by Bill, which the President has already signed into law.

Soaring oil company profits in the third quarter of this year have redoubled the Administration's determination to get the Senate to strengthen the \$142bn windfall profits Bill, passed by the Senate Finance Committee, so that the Senate version more nearly resembles that passed already by the House of Representatives.

This would bring in about \$270bn from extra profit over the next 10 years, which the oil companies are expected to reap from decontrol of domestic oil prices.

The Administration has argued that only a tough windfall profits Bill will provide enough to finance energy projects such as synthetic fuels.

Reagan to join Presidential race tonight

By Jurek Martin, U.S. Editor, in Washington

MR. RONALD REAGAN, the former film actor and twice Governor of California, will launch his candidacy in New York tonight for the Republican Party's Presidential nomination.

He enters a crowded field as a clear favourite in every public opinion poll, but nonetheless saddled with two basic handicaps—his age (he will be 69 next year) and a past losing record at the national level.

Mr. Reagan will, as before, driving his campaign train on the right side of the road.

Most polls give him a large lead — followed by Senator Howard Baker, the moderate from Tennessee, and Mr. John Connally, the Right-wing Texan, who are running neck and neck.

Quebec Assembly debates public-sector strike Bill

BY ROBERT GIBBENS IN MONTREAL

THE QUEBEC National Assembly held an emergency session yesterday to debate special legislation being introduced by the ruling Parti Quebecois to deal with strikes and threatened strikes in the public sector.

M. Rene Levesque, the province's Premier, requested the special session after the "Common Front of Public Service Unions" turned down new offers which M. Jacques Parizeau, the Finance Minister, says would cost the taxpayer another \$500m.

Senate cautious on mobile missiles

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER'S costly plan to deploy the new MX missile system in the mobile missile system in the 1980s on a series of "race-track" U.S. has run into western opposition in the unexpected opposition itself. Senate, now gearing itself up for a final vote on the SALT-II arms treaty.

Approving a weapons Bill for the current Budget year which the House of Representatives has already passed, the Senate voted \$670m for preliminary funds to develop the mobile missiles.

But it unanimously attached an amendment stressing that there was no Congressional commitment to the "race-track" deployment system.

The Senate's action last Friday comes as a surprise to the Administration, which had considered its decision on the MX, made last September, a trump card in persuading doubting Senators that, despite the SALT-II treaty, President Carter intended to keep up the U.S.'s nuclear guard against the Soviet Union.

Senator Robert Byrd, the Democratic leader, had recently tied his approval for SALT to an explicit written promise from Mr. Carter on the MX deployment. The "race-track" system would involve building a separate circular roadway for each of the 200-odd MX missiles to be transported on a huge truck between 23 different shelters. The object is to confuse Russian target planners who would not know which of the 23 shelters the MX was actually in at any one time.

No one here has disputed the need for a mobile missile system to replace the fixed-site Minuteman force, increasingly vulnerable to the accuracy of Russian missiles.

But doubts have grown in recent months about the cost of the "race-track" system—estimated to bring the total price of the MX up to \$37bn at least—and the environmental impact of so much military construction in the desert areas of Utah, Nevada and Arizona.

One Presidential contender, Governor Jerry Brown of California, has already come out against the proposed MX system, calling it "mass transit for missiles" when the pressing need for the U.S. was to develop better public transport for people.

Senate demands for more defence spending as a condition for approval of SALT, however, go wider than just the MX, and the Administration is expected to unveil the highlights of its 1980-81 defence Budget later this month or early December, before the Senate finally votes on SALT.

The treaty passed the Senate Foreign Relations Committee last Friday, by a majority of nine to six votes, but no one is confidently predicting the outcome on the floor.



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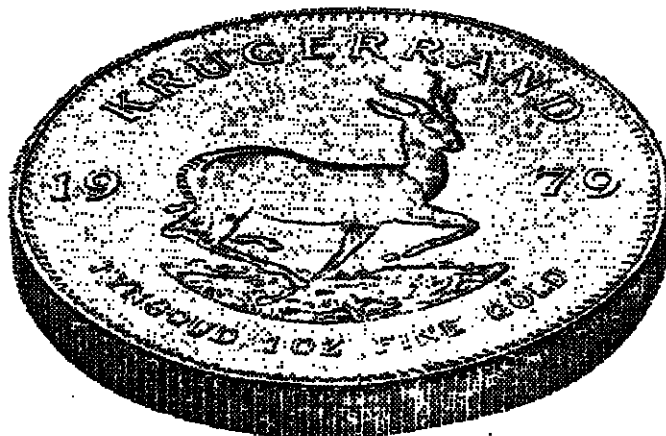
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UK NEWS

Britain pushes 'scrap and build' ship plan

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A PLAN for individual EEC countries to be allowed to introduce their own national funds for a "scrap and build" ship subsidy scheme is to be pushed by the British Government in Brussels later this month.

The EEC's Council of Ministers is to meet to consider whether to go ahead with a plan for a scrap and build arrangement that could cost up to £90m a year. They will have to decide whether it should be organised centrally for the Community or, as the UK prefers, in individual countries.

The aim is to improve European shipping fleets and to help save about 35,000 jobs in EEC shipyards, maintaining capacity for the expected upturn in the shipping and shipbuilding market in two or three years.

EEC shipowners would be subsidised towards the cost of building one ship in EEC yards for every two that they

scrapped. A shortage of scrap yards in Europe would, however, mean that the Far East would gain orders for dismantling many of the condemned vessels.

This could lead to enforcement problems in making sure that ships that should have been scrapped were not put back into service. For this and other reasons, the proposals have met with opposition. Some EEC countries do not believe that the subsidies would be cost effective. It is generally recognised in the UK and elsewhere that the scheme would have a marginal impact.

The UK Government believes the scheme would be worthwhile if it was introduced quickly, before the expected upturn begins, and if it was organised on a national basis. A country would only subsidise building work carried out in its own yards.

The Council of Ministers will

be presented with proposals for the EEC as a whole, which envisage spending about £90m a year for perhaps two years, of which £50m would be for building work and £40m for scrapping.

Some experts believe that these figures are unrealistically high, because they envisage the EEC gaining orders for 1m compensated gross registered tons of building work a year.

One problem is that the shipping fleets of the UK and some other EEC countries are relatively modern and do not require replacing. To cover this, an EEC shipowner will probably be allowed to buy old ships from other countries for scrapping in order to qualify for the EEC building grant.

The subsidies would cover about 8 per cent of the contract value for building work. For scrapping, they would cover the difference between the scrap and second-hand values.



Roger Taylor

Wedd Duracher, one of the main jobbers in British Petroleum shares, rigged his dealers in BP boiler suits yesterday morning so that they could be picked out easily when dealings for the new partly paid shares opened. However, the crowd of brokers had come to watch rather than to deal, though the shares started at 156p compared with a cost of 150p.

By early afternoon, when the price had settled at 154p, the Stock Exchange assessed the level of dealings—described by market operators as "disappointing for us, good for the Bank"—and cancelled his plans to allow oil pitches to remain open till 5 pm.

BL-Aston Martin study on MG

BL AND ASTON MARTIN Lagonda are to set up a joint working party to investigate the future of the BL-owned MG plant at Abingdon, it was decided at a meeting in London yesterday.

The findings of the working party will be used by Mr. Alan Curtis, Aston Martin's joint chairman, and a consortium of businessmen, to decide whether they will make BL an offer for the plant.

The consortium wants to take over the plant, which employs 1,500, and to buy the MG name. BL appears to be interested only in a licensing deal for the consortium to continue manufacture of the MGB sports car after the scheduled ending of production late in 1980.

A joint statement said that no offer had been made, but BL had said it was open-minded

about considering any commercially viable proposition, although the use of Abingdon and the retention of the MG marque were built into the company's forward plan.

"The outcome of the meeting was that BL agreed to supply certain confidential information to allow Aston Martin Lagonda to decide whether or not it wishes to make a proposal concerning MG," said the companies.

BL said later that the working party would explore such subjects as the manufacturing, purchasing and financial policy of MG. No date has been given for further discussions.

Abingdon, which has been the home of MG for 50 years, is planned to play a part in production in 1981 of the joint BL-Honda car, but with a substantially reduced workforce.

Evidence sought on price-cut curbs

By David Churchill, Consumer Affairs Correspondent

THE OFFICE of Fair Trading has written to the Argos discount stores group inviting it to give evidence of manufacturers refusing to supply goods because of Argos's price-cutting policy.

The move follows Tesco's decision to complain to the Office of Fair Trading, alleging that the Thorn group refuses to supply Ferguson colour televisions and audio equipment because Tesco might sell them at a lower price than other retailers.

Though Argos has made no official complaint to the OFT about manufacturers refusing to supply goods, it has made no secret that it considers it has been refused supply by a number of manufacturers.

In particular Argos has claimed that it was unable to obtain Seiko digital watches from official trade sources.

It has obtained supplies from a source believed to be overseas and sells the watch at just under £100, some £40 below the recommended price.

Argos has faced supply problems from other manufacturers, such as those providing sports goods, who are reluctant to supply the company because its lower prices would undercut specialist retailers.

Under the Resale Prices Acts of 1964 and 1976, manufacturers are prohibited from trying to enforce resale prices on retailers by refusing to supply those who cut prices.

Ladbroke pay-off claim denied

BY JAMES BARTHOLOMEW

MR. ROGER WITHERS, former sales director of Ladbroke's casino division, denied in Knightsbridge Crown Court yesterday that he had told another employee that Ladbroke might make a £250,000 pay-off to his predecessor, Mr. Gordon Irvine.

It was the sixth day of Ladbroke's appeal against the decision of South Westminster magistrates that two group subsidiaries are not "fit and proper persons to be holders of gaming licences." Mr. Withers disputed the earlier testimony of Mrs. Janet Ballard, former personal assistant to Mr. Cyril Stein, chairman of Ladbroke.

Mr. Richard du Cann, QC, for the licensing magistrates, put Mrs. Ballard's evidence to Mr. Withers.

Mrs. Ballard says there was a conversation with you the day after the police investigations began and the balloon had gone up. She was discussing with you how serious the matter was. She was saying it would cost Ladbroke, and how you said Irvine would not be able to work for the rest of his life, and it would cost in the region of one quarter of a million pounds.

The hearing continues tomorrow.

Mr. Withers replied: "I remember no such conversation. It is obviously factually incorrect because to say he could not work for the rest of his life is not a factual or logical thing to say."

Under cross-examination by Mr. Michael Kempster for the police, Mr. Withers added that £25m "was not a figure I mentioned to Mrs. Ballard as my own speculation and if I were to speculate I would not speculate a figure as high as that."

In answer to Mr. Brian Leary, QC for the Playboy Club, Mr. Withers said that he made no inquiry following an article in the magazine Private Eye on May 12, 1978. In this article Private Eye alleged that Ladbroke had hired a private detective to log car registration numbers, traced the owners through the police computer, and had given the owners presents and complimentary meals at Ladbroke casino clubs.

Mr. Withers agreed that the allegations were "gravely serious" but he did "nothing" about it.

The hearing continues tomorrow.

Health group seeks court ban on hospital closure

BY LISA WOOD

A COMMUNITY health council yesterday asked a High Court judge to stop Government-appointed health commissioners from going ahead with the temporary closure of St. Olaves Hospital in Greenwich, London.

Mr. James Goudie, counsel for the Guys district CHC, claimed the commissioners' economy plan at the 223-bed hospital was "hurriedly thrown together."

Mr. Patrick Jenkin, Social Services Secretary, appointed the commissioners after suspending members of the Lambeth, Southwark and Lewisham area health authority for refusing to make public spending cuts of 15m.

Mr. Anthony Evans, QC, for the commissioners, asked Mr. Justice Wolff to declare that the closure decision was valid.

The hearing continues today.

William Press in £30m contract

BY JAMES McDONALD

WILLIAM PRESS AND SON, in a joint venture with H. A. O'Neil, of Dublin, has received a letter of intent for a contract worth nearly £30m from Alumina Contractors. It is for the installation of mechanical services in a £300m alumina extraction plant being constructed on Aghinish Island near Limerick in the Republic of Ireland.

This is the largest single contract let so far on what is one of the biggest construction projects in Europe and the largest undertaken in Ireland in the private sector.

The plant is being built for Aghinish Alumina Limited, which represents the three participating companies financing the project: Alcan Ireland; Billiton Aluminium Ireland; and the Anaconda Ireland.

William Press and Son and H. A. O'Neil have signed a joint venture agreement to handle the contract.

The joint venture covers the provision of all equipment, management and labour involved with the installation of mechanical works on the 1,000-acre Aghinish Island site. This will include almost 100 miles of piping, 14,500 tons of structural steel and 25,000 square metres of metal decking.

The Swiss have long had a keen sense of how close together you can sit without feeling crowded.



We Swiss live at close quarters because our country is small and thickly settled. This has made us sensitive to close quarters. We have developed a keen sense of how many people can sit on one park bench, one observation bench, one bench by the tile stove without feeling cramped or getting on each other's nerves.

Possibly our decision to put the seats in our DC-10-30s and B-747s a bit further apart than

other airlines do was motivated by this feeling rather than by marketing and sales policies.

After all, we want our passengers to feel at ease with us. And that calls for more than just giving them extra attention on the ground before takeoff; more than providing a warm welcome at the over 90 destinations we fly them to world-wide; more than providing friendly care; more than serving particularly good meals

in proper style; more than offering a variety of music and film programs; more than letting them reserve their seats when buying their tickets at regular economy rates on long flights (and in first class on most short jumps as well).

In our perhaps excessively Swiss opinion, it also calls for adequate space and adequate elbow room. It calls for a chance to spread yourself around a bit, as we say.

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That's why we give you enough room for comfortable flying.

And ourselves space to serve you to the full.

swissair

1% Better.



With some diffidence, we would like to draw your attention to one of the less sensational, but more significant, events of the motoring year.

The slightly improved Audi 100.

Eagle-eyed Audi drivers may have noticed that the bumpers now wrap right round to the wheel arches; that the twin foglamps are now built neatly into the front bumper; and that the headlamps and indicators have been visually combined.

Inside, the instruments have been restyled to make them easier to read. The armrests have been raised to make them a little more accommodating to the elbows.

There is also a new range of seat fabrics and colours to choose from.

Now all these changes, we agree, do not add up to anything vitally important. What is important though, is what we have not changed.

NO NEWS IS GOOD NEWS.

All false modesty aside, we got the Audi 100 99% right three years ago.

It was then that we parted company with all other car makers by introducing the world's first five cylinder petrol engine.

Smooth as a six, yet economical as a four, it delivered high performance with low petrol consumption.

We installed this unique power unit in a body that had been developed in a wind tunnel to produce a low-drag shape.

This, in turn, meant that the engine had to work less hard to push that shape through the air. Thereby saving

weight out; new engine had to push around. fuel in another direction. And by employing tough new plastics where most others were still using metal, we reduced the weight of our new engine had to push around.

We lightened the car even further by making it safer. The Timoshenko girders around which the Audi 100 was built were lighter than ordinary girders because they were designed to absorb impacts rather than fend them off.

Their contribution towards fuel economy was, however, a welcome bonus. Especially as petrol had just reached the ruinous price of 80 pence per gallon.

The 10,000 mile main service intervals went down well too because the service and maintenance costs had also reached outrageous heights.

And if you add space and luxury to all these sensible qualities, you can see why the Audi 100 was right for the tough conditions of 1976. And why it is even more right for the tougher conditions of 1980.

HANDSOME IS AS HANDSOME DOES.

We are modestly pleased with the little flourish we have given the Audi 100 for this year. It's a little handsomer to look at and a little nicer to drive.

But there is something about the car you see here that we are inordinately proud of.

Four years after we launched it, we couldn't make it any better.

Yet the tougher things get, the better it seems to look.

The Audi 100 five cylinder.

Audi The car for now.

OFFICIAL FUEL ECONOMY FIGURES FOR THE AUDI 100 SE URBAN CYCLE ARE: 18.5 MPG (15.3 LITRES/100 KM) MANUAL AND 20.0 MPG (13.5 LITRES/100 KM) AUTOMATIC; AT A CONSTANT 56 MPH 21.4 MPG (13.0 LITRES/100 KM) MANUAL AND 22.8 MPG (12.4 LITRES/100 KM) AUTOMATIC. ALLOY WHEELS SHOWN ARE AN OPTIONAL EXTRA. FOR MORE INFORMATION WRITE TO AUDI MARKETING DEPT., VOLKSWAGEN (GB) LTD., VEEMANS DRIVE, BLAKEHARDS, MILTON KEYNES MK14 5SN. DIPLOMATIC, NATO AND PERSONAL EXPORT ENQUIRIES TO: PERSONAL EXPORT SALES, 65 BAKER STREET, LONDON W1. TELEPHONE: 01-486 8411.

UK NEWS

New ITV channel faces hard start

BY ARTHUR SANDLES

THE Independent Broadcasting Authority said yesterday that it might have to raise about £40m over the next two years to launch a new fourth television channel.

It is suggesting that the second independent channel, due to start in the autumn of 1982, should be run by a new separate company.

The channel is likely to cost more than £20m to set up and between £60m and £80m a year to run. The burden on the ITV One contractors of providing these funds during the start-up period will be heavy.

The authority clearly believes that it is starting the fourth channel in a difficult economic climate. It says that conditions may be "less favourable than

in the last few years."

"The authority is confident that there will in time be sufficient revenue to support two services of high quality," it said yesterday. "But we must be on our guard against over-confident planning."

The IBA says: "Money is bound to be tight." It argues that the programmes cannot all have the budgets sought for them; and profits received by the ITV companies, "of which some five-sixths pass to the Government in levy and tax," will be diminished for the first year or two at least.

Legislation to set up the new service will probably be introduced early next year, but it is unlikely that the IBA would have published its own ideas

without consulting the Home Office.

Under the IBA proposals ITV contractors will have to pay annual subscriptions towards the fourth channel in relation to their present rental charges. If this were done immediately the heaviest burden would fall on the London weekday contractor, Thames.

However, contract holders will be free to sell TV Four advertising time and keep the revenue they raise as a result. They will also be able to sell programme material to the new channel.

The IBA argues that the fourth channel will have its own distinctive character. It will be complementary to ITV One. Both the IBA and the Govern-

ment are keen to avoid the new channel being called ITV Two, but so far neither of them has come up with a suitable alternative.

Lady Plowden, chairman of the IBA, said yesterday that the fourth channel board would be responsible for acquiring programmes and scheduling them, appointing and employing the small staff, and for operating within the authority's budgetary limits.

"The authority would approve schedules of the fourth channel, even as it does for the present service," said Lady Plowden. "And it would ensure that there was proper co-ordination to maintain a balance of choice between the two channels."

The fourth channel board will be people "knowledgeable on

the many aspects which together make up television broadcasting." It might consist of some 12-14 people, four drawn from the ITV companies. The others would come from the different interests that contribute to the channel or have special concern with this operation.

"The company will not make programmes itself, but will commission and acquire them from others. This means that it will have only the smallest studio space, sufficient perhaps to do linking announcements."

"The channel will, among other things, provide opportunities for a wider range of programmes supply, since, for the first time, it will be looking to independent producers for a significant part of its output," says the IBA.

Car chief calls for unity

Financial Times Reporter

THE FUTURE of the UK motor industry is in the hands of shop-floor employees and managers together, Sir Barrie Heath, president of the Society of Motor Manufacturers and Traders, said yesterday.

At the annual dinner of the Scottish Motor Trade Association, he said if workers did not produce the vehicles motorists wanted there would be an even greater influx of imports to satisfy the needs of a critical buying public.

"But there are good signs in our industry, and I think that, largely as a result of the recent BL ballot, we have reached a watershed in employee attitudes and relations," he said.

Express drops computer plan for newspapers

BY JOHN LLOYD

THE EXPRESS Newspapers group, publisher of the Daily and Sunday Express, the Daily Star and the Evening Standard, has dropped plans for computer typesetting or photocomposition in the foreseeable future.

Mr. Jocelyn Stevens, managing director of Express Newspapers, said yesterday that events at Times Newspapers over the past year, and the Daily Mirror's problems introducing a partly-computerised system, had discouraged the group.

"There are no plans for introducing the new technology in the group for the moment."

The Express group had planned to follow a roughly similar road to the Mirror group's, also believing that members of the National Graphical Association, the compositors' union, should retain control over composing.

The Observer, however, the only other Fleet Street paper with plans announced to introduce new printing and composition technology, has installed Ferranti and Monotype systems and is training its printers on them.

Mr. Stevens believes that The Times settlement will make union demands, particularly in clerical sectors, more aggressive throughout Fleet Street. "I don't think, though, that it has introduced anything new

into the situation in Fleet Street."

The group feels confident, however, to proceed with expansion plans in London and Manchester. It will:

- bring to London production of southern editions of the Daily Star, which has been established for just over one year, to use excess capacity on the Express presses;
- increase printing capacity by 13 units in London and 12 units in Manchester to allow the Sunday Express to expand from 32 to 48 pages, at a cost of about £8m;
- aim to expand the circulation of the Daily Star from 1m to 2m over the next few years. The extra capacity brought in for the enlarged Sunday Express will be used if the circulation approaches 2m.

The final decision to share production of the Star between Manchester and London depends on the agreement of the NGA machine minders chapel, which Mr. Stevens believes the group will get. The final deadline for bringing production to London is next July.

At the same time, Express Group aims to complete integration of the Evening Standard into the production facilities in the Daily Express Fleet Street offices. Editorial, composition and make up are still done in the Standard building in Shoe Lane, off Fleet Street.

Bus reforms criticised

FINANCIAL TIMES REPORTER

GOVERNMENT proposals for relaxing licensing of bus operators were criticised yesterday by Mr. Robert Brook, chief executive of the state-owned National Bus Company.

Mr. Brook, addressing the Chartered Institute of Transport in London, said that without road service licensing in its present form public transport facilities in the UK would be reduced.

The British bus system was the best in the world and was maintained at a higher level than local authorities and central Government had any right to expect, bearing in mind the policies they had pursued.

Mr. Norman Fowler, the Transport Minister, will announce plans to remove many of the restrictions on prospective bus operators in the Transport Bill at the end of this month.

Marks opening in Dublin

MARKS AND SPENCER will today open its first store in the Republic of Ireland. The new store, costing some £10m, will open in Mary Street, Dublin, on the site of what was formerly Winston's department store.

Initially it will have 30,000 sq ft of selling space on two floors, but by the middle of next year the store will provide some 45,000 sq ft of selling space, plus stockroom facilities.

High-speed data service

BY JOHN LLOYD

THE POST OFFICE is to further expand its data transmission service by offering equipment which will allow computer-stored information to be sent through the telephone network at high speeds.

The service, to be known as Datal 4800, will allow the transmission of data at a speed of 4,800 bits — or data units — per second.

It is based on a modem — a

modulator-demodulator which converts digital data signals into analogue form for transmission, then back again — designed for the Post Office by Plessey.

Datal 4800 incorporates test facilities which allow users to make their own checks on circuits or modems before calling up Post Office engineers.

The connection charge for the service is £200, with annual rentals of £700 or £750.

Most important

"I think that the ballot may eventually be regarded by historians as one of the most important events in British trade union history since that affair at Tolpuddle some 150 years ago."

He said BL employees had recognised the logic of the management plan. "Their decision confirms my confidence in the ultimate good sense of the British worker, when he is given all the facts and allowed to exercise his own judgment," he said.

Import flood threat to British textiles

BY RHYS DAVID, TEXTILES CORRESPONDENT

THE GATHERING problems in Britain's textile and clothing industry have led to a renewed appeal by one of its leaders for retailers to buy British.

Mr. David Cunliffe, a director of Carrington Virella speaking at the Fabrex fabric exhibition in London, said that the erosion of the textile industry and of other industrial sectors would eventually affect UK retailers because of the effect the loss of jobs would have on spending power.

"We are constantly seeing consumer expenditure on clothing in the UK increasing, yet one of the major industries which helps create the wealth for this increase in expenditure is reducing in numbers and volume."

"There must come a time when, if this industrial trend is not reversed, our wealth will also decline. Short-term gains created by exploiting cheap sources of supply could lead to the longer-term disaster of industry, and in particular the clothing and textile industry."

Mr. Cunliffe blamed the stark difficulties facing the industry on the rise in value of the pound, which has enabled not only low-cost countries but other EEC countries and the U.S. to step up dramatically their penetration of the UK market. Exporting had at the same time been made more difficult and high interest rates had hit new investment.

In the first six months of 1979 imports of woven spun fabrics

had risen by 27 per cent, woven filament fabrics were up 14 per cent and woven shirts were up 25 per cent.

In woven cotton and man-made fibre fabrics the deficit between UK exports to the EEC and UK imports had risen from 42m sq metres in 1973 to an estimated 133m sq metres this year. Imports from the U.S. virtually doubled between the first half of 1978 and 1979 and were still accelerating.

Mr. Cunliffe also blamed the rise in imports on the ease with which the UK market could be penetrated because of its highly-developed retail network and adherence to the concept of fair play. Other countries in the EEC checked the import flood by administrative delaying tactics or by ignoring the rules.

To sell fabrics in the U.S. market Britain had to surmount a higher duty barrier than was levelled against American products.

Mr. Cunliffe's warnings were echoed in a recent speech by Mr. Geoffrey Cope, chairman of Cope Sportswear in Leeds.

Mr. Cope said that more than 75,000 jobs were at risk in the industry — 10 per cent of the total.

Mr. John Howard, chairman of the Fabric Buyers' Association and a director of Sittman, told the Fabrex seminar that a survey among association members showed that 58 per cent of woolen/worsted purchases were being made in Italy and only 28 per cent in the UK.

Fuel industry urged to give more aid to the poor

BY MAURICE SAMUELSON

PART OF the rising profits made by the fuel industry should be used to protect the poor from the full impact of increased prices, Mr. David Donnison, chairman of the Supplementary Benefits Commission, said yesterday.

He said the cost of fuel is expected to double during the next 20 years.

The electricity and gas industries should also help poor consumers use fuel more economically and pay for it in ways best suited to their budgets, he told the Fuels Poverty Action Group, in Glasgow.

For the longer term, he urged a comprehensive scheme of help with costs for all low income families. "It is only by first ensuring that the poorest people will be adequately protected that Ministers can justify charging richer people the more realistic prices for gas, electricity, housing, school meals or the other services which may be unavoidable," he said.

The help being given this winter by the Supplementary Benefits Commission to pensioner households over 75, and to those with children under five, and the rise in the family income supplement, were welcome, but did not go far enough.

Paraffin prices, on which many poor people depend, are rising dramatically and domestic gas price rises were being discussed, he said.

"We need action now, before developments make fresh difficulties for more poor families, followed by yet another round of bottled up emergency

measures."

At least 1.5m households will be worse off this year as a result of the Government's decision to do away with the electricity discount scheme, claims the National Consumer Council.

In a letter to Mr. Patrick Jenkin, Social Services Secretary, Mr. Michael Shanks, the council's chairman, appealed to the Government to think again.

The council bases its estimate of affected households on the overall figure of 1.9m households, which received the discount last year.

Expansion at Chubb's plant urged

CHUBB CASH of Brighton, part of the Chubb Group, was yesterday urged to expand production instead of going ahead with 85 proposed redundancies next month.

Mr. Chris Darke, divisional organiser of TASS, the white collar section of the Amalgamated Union of Engineering Workers, said that his union was "absolutely opposed" to the redundancies.

Dundee port charges to rise

DUNDEE Port Authority has decided to increase its rates by 20 per cent from January 1. Previously, the port has limited its annual rate increases to 10 per cent.

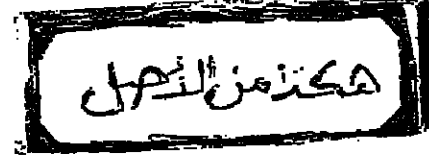


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مكتبة الشرق الأوسط

Findus factory may create 1,000 jobs

BY ELAINE WILLIAMS

UP TO 1,000 new jobs could be provided in a high unemployment area near Newcastle following the decision by Findus, the food company, to set up a £20m factory.

Findus is to build a prepared food plant at a 22-acre site in Longbenton, outside Newcastle. It believes that the market for complete frozen meals will grow substantially over the next few years.

Newcastle has proved the most attractive site for two reasons. It has the available skills and is classed as a special Development Area. As such, the company is eligible for a 22 per cent grant on capital expenditure.

Findus looked at other sites including Hull, where it has a fish processing factory—threatened with closure in April because of lack of fish. However Hull's classification as a development area meant that only a maximum of 15 per cent grants would be available.

The company said yesterday that it had announced its plans prematurely to avoid mounting speculation about the siting of the factory. A final decision on whether to go ahead with the project would be taken in the New Year.

The factory could be in production within two years from the start of building work. Thus, it may open in mid-1982.

Findus may well be eligible for further grants from Tyne and Wear County Council since a Private Bill passed through Parliament in 1978 empowers the council to make available grants and incentives in addition to those from the Government.

The company is the first organisation to have taken a site at Longbenton, a 200-acre green field site, three miles from Newcastle's city centre.

The North of England Development Council, which has had several meetings with Findus, said yesterday that it was

delighted at the prospect of a labour-intensive factory moving to Tyneside.

Unemployment is running at an average of 10 per cent in the area although the male unemployment figure is between 12 and 13 per cent.

Earlier this year Findus sought Government help to keep its fish processing factory open. It received a temporary employment subsidy to keep the 270 jobs at Hull.

Frozen foods grew by only 2 per cent in volume and 9 per cent in sales value last year—making the market in the UK worth £790m. This reversed a decline in 1977. Frozen foods are now poised for a more rapid growth over the next few years.

The growth areas are in meat and meat-related products, cakes and desserts. Last year, sales of frozen meat products were 63 per cent higher than in 1973.

The trend towards more snacks and so-called fast foods is expected to accelerate the growth.

Thatcher hints at new move on Ulster

BY STEWART FLEMING

THE BRITISH Government will lay before Parliament a consultative document on Northern Ireland the week after next, Mrs. Margaret Thatcher, the Prime Minister, has disclosed in an interview with the New York Times.

The interview, claimed to be the first Mrs. Thatcher has given to a newspaper since becoming Prime Minister on May 4, took place on Friday in London and covered a wide range of issues.

A central element in it, however, is a discussion of British policy on Northern Ireland, a subject which is attracting increasing attention in the United States and over which there has been growing criticism of the British Government.

Criticism

What is seen as British inaction on Northern Ireland has been attacked from several quarters, and Mrs. Thatcher clearly sets out to counter this criticism.

She says that after listening to everyone the Government will have to make some decisions and say, "We are going ahead to try this or that—whichever we get the most support for."

She also indicates that the end of direct rule of Northern Ireland by Ministers in London will be one of the Government's goals. "We cannot just go on having direct rule, Ministers taking all the decisions."

Other topics included the EEC, the Atlantic alliance, and Zimbabwe Rhodesia.

Steel reduction plant may open

BY RAY PERMAN, SCOTTISH CORRESPONDENT

THE BRITISH STEEL Corporation is considering starting up one of its two direct reduction plants, mothballed since their completion last spring.

The plants, built by the West German group Korf at a cost of £80m, are at Hunterston, on the lower Clyde, near the £100m ore terminal which began work yesterday after a six-month inter-union dispute kept it idle.

They are the first of their kind in Britain, designed to reduce ore to pellets of more than 90 per cent pure iron for use as an alternative to scrap, a basic feedstock for electric-arc steel-making.

BSC has so far not run them because scrap has remained cheap, and because the Hunterston dispute cut off ore supply.

Jobs call

Now the second of those obstacles has been removed, and though scrap prices have dropped slightly in recent months BSC may operate one unit for a period, to test demand.

Its own electric arc furnaces at Sheffield could use direction-reduction pellets and BSC has talked to private steelmakers in the hope that they might also provide a market.

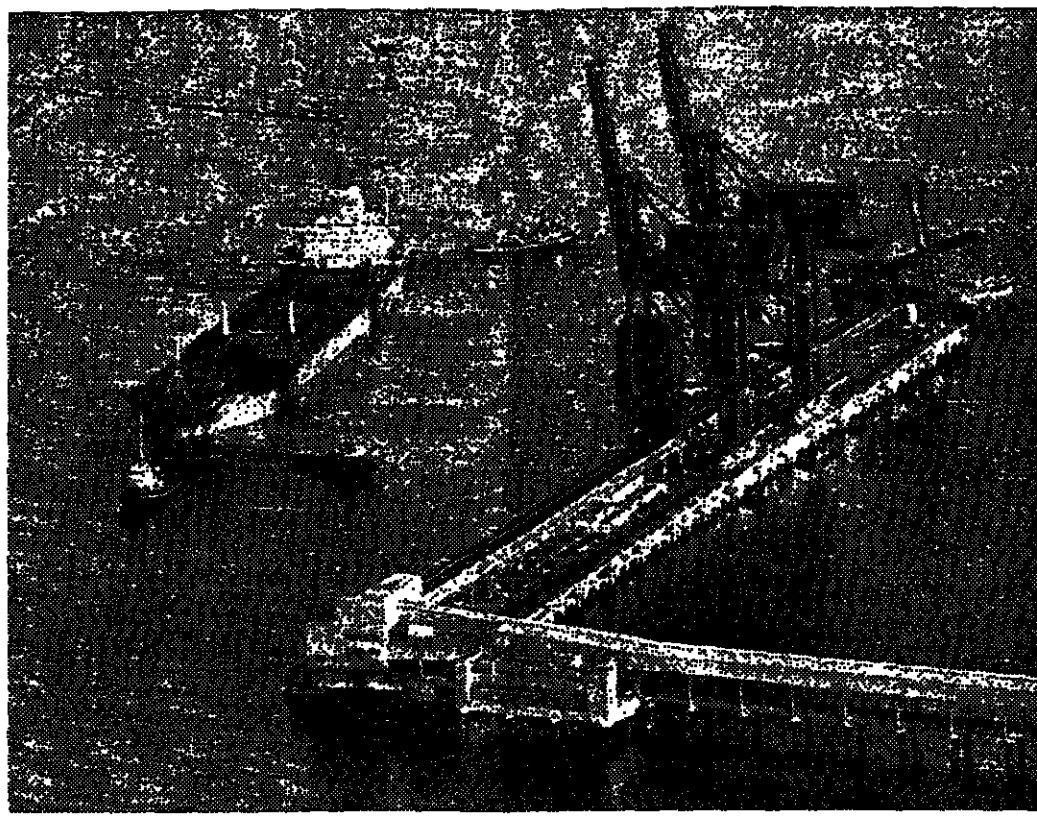
The Iron and Steel Trades Confederation has pressed BSC to start at least one plant to provide jobs for workers made redundant from other steel-works.

It could be some time before production can begin, since staff must be trained and the gas-fired kiln in one plant commissioned.

The Hunterston ore terminal took its first delivery yesterday, when a Norwegian bulk-carrier, the Ancoira, began unloading 119,000 tonnes of Brazilian ore destined for the Ravenscraig steelworks at Motherwell.

A second carrier is due in two weeks' time and the terminal will also be used to unload coking coal on its way from Australia.

It may take as long as a month



An aerial view of the Hunterston terminal.

to build up ore stocks at Ravenscraig, but British Steel is confident that it can maintain production there, and has lifted the threat to close the works temporarily.

Mr. Jake Stewart, Scottish director of the corporation, said that using the Hunterston terminal would save £12m a year on handling ore for Ravenscraig, which should be moving towards a financial break-even point by March.

Output at the works has been 1.6m tonnes annually, but the decision to close Shotton steel-works and draw more than 500,000 tonnes of hot rolled coil steel from Ravenscraig should lift production to above the break-even level of 2m tonnes a year.

NEB completes computer talks

Q1 CORPORATION of the U.S. and the National Enterprise Board have completed negotiations to set up a joint-venture to develop and manufacture multi-function micro-computers for sale in Europe.

The NEB will subscribe £2m for 51 per cent of the ordinary shares of the new company, Q1 Europe. It will make available a further £3m as redeemable preference shares. Q1 will hold 49 per cent of the ordinary shares and 51 per cent of the voting rights in exchange for its technology.

Two choices, says Methven

SIR JOHN METHVEN, director general of the Confederation of British Industry, called on management yesterday to take the lead over the very difficult period facing the country in the next 18 months.

Opening a factory at Ellesmere Port he said the alternatives were to continue to slide and become a divided society—or to learn to work together.

£3m draglines order for opencast site

TWO DRAGLINES worth some £3m have been ordered from the U.S. for the recently announced opencast coal site at Tanner's Hall, County Durham, by Lomount Construction, a subsidiary of Contractors Services Group.

Lomount is to extract close on 1.5m tons of coal over the next 80 years at Tanner's Hall.

One of the machines, Britain's first Marion 195M HRA4 electric dragline of improved design, with independent travelling motors to drive its crawler tracks, will be delivered for use next September.

It, like the other machine, is a 12 cu yd, 170-ft boom dragline. The second is a Bucyrus Eyrle 380-W walking dragline, also an all-electric model.



Clare Francis, Britain's round-the-world yachtswoman, and John Oakley, skipper of Lionheart, British entry for the 1980 Americas Cup, at the unveiling of a specially designed Rover V8. This was to launch a scheme to help raise funds for the British Challenge. For each of these special "Lionheart" Rovers sold by Heron Motors the fund will receive £100.

Group's cautious optimism for economy

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A CAUTIOUSLY optimistic view of the medium-term outlook for the UK economy has been taken by Economic Models, a major London-based forecasting group, in its latest analysis published yesterday.

The group suggests that in the first half of the 1980s the rate of economic growth, as measured by real Gross Domestic Product, will average 2 per cent, compared with 1.7 per cent a year over the last decade.

Growth is expected to be virtually zero, this year and next. However, the economy should grow by 2.3 per cent in 1981 and expand by an average of about 2 per cent after that. Both consumer spending and investment should be stronger than in the past decade.

The rate of inflation is expected to remain in single figures in the mid-1980s. Unemployment should rise to 2m by 1983.

Economic Models is more optimistic than some other groups. Staniland Hall Associates, for example, argues that fiscal and monetary policies in the UK are likely to lead to a fall in output in the first half of next year and an average annual increase in output of only 1.1 per cent a year over the five years to 1984.

Staniland Hall argues that the period of rapid growth of real incomes is finished. But over the next five years, real incomes should still rise by 3 per cent a year.

There is disagreement among

forecasters about the prospects for the current account of the balance of payments. The Henley Centre for Forecasting, for instance, projects a surplus of £1.45bn next year, while stockbroker T. C. Coombs forecasts a deficit of £2.8bn.

Tank workers on short-time

ABOUT 1,400 workers in Vickers defence division at Elswick, Newcastle upon Tyne, will start short-time working this week because of a drop in orders for tanks. They will work from two to four days a week.

"When I use Lufthansa on my business trips the work starts after I've landed and not before."

"When I use Lufthansa for a holiday flight, the holiday starts on board."

These are authentic passenger statements.

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BL cash help tied to pay agreements

BY IVOR OWEN

BL'S HANDLING of current wage negotiations—it has offered a 5 per cent increase and a self-financing incentive scheme in response to a 30 per cent claim—will be crucial in determining whether it receives any more State finance.

Sir Keith Joseph, Industry Secretary, told the Commons that successful conclusion of a new wages and conditions package would be regarded by the Government as more important than the outcome of the recent ballot.

In the ballot, the workforce voted overwhelmingly in favour of BL's plan to axe 25,000 jobs and close or partially close 13 plants.

Sir Keith, who was accused by Labour MPs of seeking to impose curbs on pay increases in the public sector while leaving the private sector to negotiate freely, answered: "No" when asked if the Government had an incomes policy.

Mr. John Silkin, Labour's shadow Industry Minister, contended that a letter from Sir Keith to the chairmen of nationalised industries, giving guidance on conduct of future wage negotiations, contradicted Government assertions that it would not intervene in management of industry.

Mr. Joek Bruce-Gardyne (C. Knutsford) strongly attacked a phrase which, he said, indicated that wage increases should not exceed the growth in the Retail Price Index.

He maintained that this made nonsense of the concept that while it might be justifiable for profitable State concerns to offer pay increases other State industries such as BL, British Steel Corporation and British Shipbuilders, were in no position to offer any increase.

Sir Keith said that the letter had made it clear that nationalised industries could make different responses in their conduct of pay negotiations. Supply and demand must be considered, together with market position, scope for higher productivity and other factors which Mr. Bruce-Gardyne knew to be essential.

Sir Keith said there had been no reference to earnings as such being below any particular level.

"There was a recognition that labour costs are a very important factor in total costs and if cash limits were adhered to it was essential for real-factor costs, including labour costs, to trend downwards.

Mr. Kenneth Lewis (C. Rutland and Stamford) argued that there was a need to differentiate between the public and private sector but Sir Keith underlined the restraint placed on the private sector by the need for each individual firm to avoid bankruptcy.

Questioned about the allocation of the £225m still outstanding from the silt already pledged to BL by the former Labour Government, Sir Keith insisted that the timing was not a matter for him.

Mr. Jeff Rooker (Lab., Birmingham Perry Barr) pressed Sir Keith for a commitment that as the workers had backed the plan for BL, the Government would do the same.

Sir Keith replied: "You are missing the point. What the Government will need to consider is the performance and likely performance of BL management and workers, and the reaction of the workforce to the current pay and conditions proposals put to them by BL.

"This will have more significance in the Government's mind than the result of the ballot."

He maintained that the transfer would be far better than allowing Rolls-Royce to stay in the "bureaucratic mess" of the NEB.

Mr. Grylls added that if the NEB threatened to resign if the transfer took place, the resignation should be accepted and millions of pounds of taxpayers' money saved by the ending of this "bureaucratic gravy train."

Sir Keith was guarded in his reply but pointed out that the NEB had a substantial job to do even with the reduced role envisaged for it under the terms of the Industry Bill now before Parliament.

Mr. Joek Bruce-Gardyne (C. Knutsford) suggested that there was a good case, from the taxpayers' viewpoint, for saying that Rolls-Royce should remain in what Sir Kenneth Keith, its chairman, had described as a "bureaucratic contraceptive."

He criticised Rolls-Royce for accumulating orders regardless of the fact that there was little visible prospect of securing an acceptable return on them.

Sir Keith replied that it was necessary to bear in mind the assumptions made by Rolls-Royce about the exchange rate in its huge successful drive for orders. Those assumptions had been common to many parts of British industry.

Mr. Michael Grylls (C. Surrey NW) assured Sir Keith that there was great support for his firm stand against the objections raised by the NEB.



CHANCELLOR'S HAND-ME-DOWNS: Sir Geoffrey Howe (above) wears the Chancellor's ceremonial robe to go to the Law Courts for the nomination of new high sheriffs. The black silk satin robe, which weighs about 15 lbs and is identical to the robes worn by the Lord Chancellor, was made in 1887 for the then Chancellor of the Exchequer, Mr. George Joachim Goschen. It was passed down through various Chancellors and is believed to have been worn last in 1915 by Mr. Reginald McKenna. It now belongs to the Treasury. It is traditionally worn over court dress or with the ceremonial dress associated with the wearer's profession. Sir Geoffrey wears it with the court coat and vest, knee breeches and steel-backed shoes of a Queen's Counsel, and a plain tunic hat.

Joseph guarded on Rolls-Royce

BY IVOR OWEN

SIR KEITH JOSEPH, the Industry Secretary, gave little away in the Commons yesterday when questioned about the likely outcome of the bid by Rolls-Royce to free itself from the National Enterprise Board.

He admitted that the proposal that Rolls-Royce should become directly answerable to the Department of Industry was under consideration. An announcement would be made when a decision had been reached.

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Tory deal with Muzorewa feared

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

FEARS THAT the Government intends doing a separate deal with Bishop Muzorewa on Rhodesia were voiced in the Commons last night by Mr. Alexander Lyon (Lab., York) as the Southern Rhodesia Bill began its committee stage.

Mr. Lyon again expressed Labour suspicions that the Government is planning to implement the Bill even if no agreement is reached with the Patriotic Front at the Lancaster House talks.

The legislation enables the Government to return Rhodesia to legality by the appointment of a British Governor in Salisbury.

Mr. Lyon feared that if no agreement was reached with the Patriotic Front, the Government could find himself pursuing the war against the guerrillas.

In that event, Britain would for the first time be involved directly in the conflict.

Mr. Lyon moved an amendment stipulating that an agreement must be reached by all parties to the Lancaster House talks before the Government can grant a new constitution to Zimbabwe-Rhodesia.

Mr. Lyon, who has emerged as the leading Labour backbench spokesman on the subject, pointed out that Bishop Muzorewa had now sent his delegation back home to get ready for the new elections in Rhodesia.

"What are they doing that for?" he asked. "Can it be that the Government has already decided it is going to do a deal with Muzorewa and he has gone back because he knows it is in the bag?"

Bishop Muzorewa had said that he would not agree to a Commonwealth force taking over the role of the present security forces in Rhodesia during the election.

Therefore, he must know something that was not known to British MPs at Westminster.

Mr. Lyon said that one of the central issues was the question of who would control the security forces during the elections. The Commonwealth, he understood, was prepared to provide 20,000 troops—enough for the total security of the country.

The British Government, however, had resisted that on the grounds that a military commitment should be based on a limited number of observers.

The Government, he said, was proposing that the observers should watch over the existing security forces who would retain their weapons.

Mr. Lyon suggested that the Patriotic Front and the Commonwealth were far more likely to ensure a peaceful and completely fair election campaign.

This was a considerable issue of difference that had not been settled. With such matters still outstanding, he wondered how Conservative MPs could still support the Government in getting the Bill through.

Mr. Lyon did not take the view that an all-party settlement was imminent at Lancaster House. If the legislation went through, Parliament could be faced with an intolerable situation.

He wanted to know what would happen if, in the absence of an agreement, the British Government was put into Salisbury with British troops committed as observers.

It would put Britain in the middle of the fighting.

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BBC cuts sidestepped

BY OUR LABOUR EDITOR

THE GOVERNMENT has backed away from a confrontation with many of its own backbenchers over the proposed cuts in the BBC's external services, which are to be debated in the Commons tonight.

Instead of opposing a motion that there should be no cuts in the BBC's budget for its overseas services—tabled by Tory rebels and supported by the Opposition—the Government is to accept it. It is therefore unlikely that there will be a division.

The reason for the apparent about turn is that Ministers argue there has been no cut-back and the budget will expand next year by nearly £5m over the proposed cuts of £2.7m.

The original intention was to close down seven foreign language services but there was such an outcry from Tory MPs that a face-saving formula was found with the BBC involving deferment of capital spending to improve audibility in Eastern Europe.

Although some Tory rebels found this acceptable, others did not. One described it as "a shoddy and short-sighted compromise" that would adversely affect some of the most vital services.

Rather than still face the possibility of defeat, which could have damaged credibility even the enforcement of other spending cuts, the Government has decided to take advantage of the wording of the motion and avoid a vote.

Some of the Tory rebels still intend to continue their fight against any cuts in the budget for overseas services, but the heat will probably go out of the campaign now that the vernacular services have been saved.

The next campaign to be launched by Mr. Julian Critchley (C. Aldershot) and the leading rebel on the overseas services is over the British Council's budget.

Mr. Critchley, with the support of five other backbenchers, tabled a motion last night praising the work of the council and expressing anxiety "lest further cuts in its activities at present under review take place leading to a 25 per cent cut in its activity and a 40 per cent reduction of staff."

Selection advice sought

BY PHILIP RAWSTORNE

THE LABOUR Party is to take legal advice on the terms of its new rules for the mandatory re-election of Labour MPs.

This was decided by the party's organisation committee last night after a report from Mr. David Hughes, the national agent, on errors in the drafting of amendments to the party constitution.

Mr. Hughes suggested that the wording of the new rules—seen as a threat to the positions of some two dozen right-wing Labour MPs, until the situation has been clarified.

If the party's lawyers confirm that the rules are open to question in the courts, the reform may have to be delayed until they are re-defined by the conference next October.

Mr. Eric Zeffer, chairman of the committee, said last night that the issue would be considered again at a meeting next month.

"The conference decision was quite clear, the committee endorse it, and we are fully determined that it should be implemented," he said.



LEADERS' TRIBUTE: Mr. James Callaghan (left), Mr. Harold Wilson, Mrs. Margaret Thatcher and Mr. Edward Heath at the unveiling of a memorial statue to Lord Attlee.

Vauxhall offer close to full acceptance

BY PHILIP BASSETT, LABOUR STAFF

VAUXHALL MOTORS yesterday all but secured complete acceptance by its 26,000 manual workers of a 17 per cent pay offer when 270 machine setters at its Ellesmere Port plant, Merseyside, voted by about 3-2 to end their 10-week-old strike.

National union officials will now take up with the company their grievance that the pay offer establishes a 2p per hour differential for 1,200 fitters at the plant.

Mr. John Lewis, the strikers' senior shop steward, said they did not regret their strike, which went on for two weeks after production workers voted to return to work. He said people were now aware of the existence and that they were not to be trifled with.

He denied that the decision resulted from letters received by the strikers at their homes before yesterday's meeting from Mr. Don Vallance, plant manager, which said that their action was jeopardising the future of the plant.

The letters are part of a series which the company has sent out raising questions which also are being asked privately by union officials about the future of the traditionally more militant plant.

The strikers started to return to work last night. Production workers are likely to be recalled on a phased basis later this week. Full production is expected to be resumed next week.

The remaining 1,500 workers laid-off at Vauxhall's Luton and Dunstable plants will start work from Thursday. Engineering workers' shop stewards at Dunstable have said they will not hold a meeting on the company's offer until all the workforce has been recalled, although any meeting is expected to accept the package.

The company yesterday said the strikes had cost it 24,000 vehicles with a showroom value of more than £125m. A settlement on the pay offer has soured industrial and inter-union relations, particularly between Ellesmere Port and the two southern plants.

The southern plants' early acceptance of the offer and the withdrawal of legal actions surrounding the Ellesmere Port strikes could lead to a distinction between southern strikers and northern workers when Ellesmere Port resumes normal working. Ellesmere Port stewards have said they will not sit at the same bargaining table again as southern stewards.

Despite the strikes, the company hardly altered the package after its first bidding. It raises wages of top-rate craft workers, including the fitters, from £98.80 to £100. Middle-grade production workers move from £77.20 to £79.50 and bottom-grade from £68.80 to £77.80.

The deal also includes holiday improvements and an agreement on productivity.

The economic and social problems of Ulster under the present Government," he said.

Mr. Murray, who was accompanied by members of the TUC's General Council and by Mr. David Bassett, chairman of the Economics Committee, said they agreed with the Northern Ireland Committee that the province should be treated as a special case, even an extreme case.

It was difficult to impress the gravity of Ulster's position of workers in Britain who were oppressed by their own problems, but the TUC was trying to introduce the "Northern Ireland dimension" into the British economic argument.

Cuts 'magnified' in Ulster

BY OUR BELFAST CORRESPONDENT

MR. IEN MURRAY, the TUC general secretary, said in Belfast yesterday that the effects of public spending cuts were being magnified in Ulster because of the region's already intolerable unemployment levels.

Mr. Murray, who led a TUC delegation in talks with the Northern Ireland Committee of the Irish Congress of Trade Unions, said the area's unemployment and inadequate social provision had been a major contribution to the present troubles.

"This represents a very sharp and effective picture of the consequences of the kind of policies being pursued by the present Government," he said.

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Improved pay offer expected by miners

BY OUR LABOUR EDITOR

MINERS' LEADERS expect the National Coal Board to improve its pay offer today, but they are unlikely to be content with much less than about 20 per cent.

The real bargaining on wage rates opens at NCB headquarters now the National Union of Mineworkers has accepted the board's plan for a staged return to the traditional November 1 pay anniversary.

The board has so far put forward an outline offer worth between 11 and 15 per cent, and says that is all the money it has immediately available.

But that offer has twice been rejected by NUM negotiators, who clearly believe the board will have to find some more money now the serious bargaining is beginning.

The union's original claim was for increases of between 30 and 65 per cent, to give surface workers at least £80 a week and fitters £140.

It also demanded a four-day week, a return to the November 1 negotiating date, and protection of earnings for underground workers forced by ill-health to take lower-paid surface jobs.

The union negotiators—who split 7-7 on the timing question—appear to have no fixed fall-back demand, but an offer less than the current rate of price inflation is unlikely to satisfy them.

Mr. Joe Gormley, NUM president, hopes to conclude the negotiations by the end of the month.

The union has modified the form of its claim to the extent of seeking a common percentage increase for all grades.

A working party has been set up to examine the demand for a shorter working week. Meanwhile, according to the union, the board has conceded the important principle of protection of earnings, and will discuss earlier retirement for surface workers.

The offer so far consists of £140m, of which £20m would be for the improvement of various allowances. The miners are also due to receive a payment for "washing and winding time" from January 1, as part of the last settlement, in March this year.

In keeping with the Government's declared policy on pay bargaining, energy ministers have kept strenuously aloof from the miners' negotiations.

Electricians defend call for ballot

BY OUR LABOUR CORRESPONDENT

THE POSITION taken by the Electrical and Plumbing Trades Union in the recent national engineering dispute, when it threatened a unilateral ballot of its members, was defended yesterday by Mr. Eric Hammond, a member of the electricians' executive.

The EPTU national engineering committee of shop stewards was convinced that a ballot was industrial action should be taken by all the workers in the industry, said Mr. Hammond, writing in Contact his union's journal.

But the other unions involved refused, and "even when the industry was faced with total closure" the Confederation of Shipbuilding and Engineering Unions would not give workers a direct vote.

"It is inevitable that we will continue to have distinctive attitudes so long as we have those attitudes on a wider section of our members than do other unions.

"Our step is determined by the clear beat of democracy's drummer. We cannot turn back—it is for others to catch us up."

Savings staff suspended

FINANCIAL TIMES REPORTER

THE Department of National Savings yesterday suspended 207 civil servants at its Cowglen, Glasgow, headquarters.

The staff, clerical workers and machine operators, are members of the Civil and Public Services Association, which has been banned overtime as part of the campaign against Civil Service expenditure cuts.

Another 93 civil servants at Cowglen have been warned that they face suspension later this week unless they resume normal working. The office's staff of about 4,000 run the National Savings Bank.

The department said yesterday: "At the moment we should be able to maintain the current work."

The union said that almost all its 3,500 members at the Cowglen office walked out when the suspensions took effect. They would return to work today but bans on overtime, substitutions and temporary appointments would remain.

Media writ for McShane

THE INSTITUTE of Journalists has issued a High Court libel writ against the former president of the rival National Union of Journalists over publication of the book Using the Media.

The writ claims damages against Mr. Denis McShane, NUJ president in 1978-79. Pluto Press, Marylebone, London, and Cox and Wyman, of Reading, Senks.

The NUJ seeks damages and an injunction restraining further publication of the book, which first appeared in September.

Better deal for chemists

FINANCIAL TIMES REPORTER

A NEW payment formula which could give the 9,640 retail pharmacists in England and Wales an extra £36m has been suggested in an independent report now being considered by Ministers at the Department of Health.

The report, drawn up by the Independent Profit Assessment Panel, recommends that retail chemists should be allowed a 27 per cent return on capital instead of the present 16 per cent. The panel wants the revised formula to be backdated to 1976.

The formula itself would be worth some £16m and the backdating would be worth a further £20m.

But the report also says that pharmacists may have been overpaid by as much as £28m because of the breakdown of resale price maintenance. Drugs are one of the few products on which resale price maintenance has been retained but in the last few years there has been increasing evidence that wholesale chemists and their retail customers have been finding ways round it.

The National Health Service has been paying the full resale price of drugs, even when chemists have bought them at a discount. In its report, the panel has called for an inquiry into discounts.

It hopes the new payment formula will help slow the rate at which retail pharmacies have been closing in the last few years. It is claimed that they are closing at the rate of one a day.

Mr. David Sharpe, president of the Pharmaceutical Society, said yesterday that he presumed the Government would accept the recommendations. He pointed out that the panel had been set up by the previous Government with the consent of the Conservative Opposition and stated that pharmacists expected the report to be implemented from January 1980.

Busmen's secretary appointed

THE TRANSPORT and General Workers' Union has appointed Mr. Bill Morris, a Northampton district official, as national secretary, responsible for the union's women.

Mr. Morris will be the first black official to reach so senior a post in the union. He succeeds Mr. Larry Smith, who has been promoted to executive officer.

"My car couldn't have chosen a more desolate spot to break down. I abandoned it with ill-disguised anger and started walking.

I had been going for maybe half an hour when a Volvo estate drew up beside me. Such is my dislike of the car, that had it not been raining I would have waved the driver on."

Let me start by admitting to a certain amount of irrationality when it comes to cars.

I have always bought cars that are faster than they need be, more luxurious than they should be and more expensive than they've any right to be.

In short, when on four wheels, I am a confirmed seeker after pleasure.

In the opposite corner, I always imagined were Volvo. Austere, frugal and eminently sensible.

The kind of car your mother would say was good for you.

Judge then my feelings as the Volvo stopped beside me on that rain-soaked road.

The driver was not some elderly hill farmer but a man I would not have put much above thirty-five.

"Can I give you a lift?" he enquired as he held open the door. "I passed your car down the road—beautiful looking machine."

As I slipped into the passenger seat I noticed that I was sitting on real leather. (The first of many discoveries I was to make that evening.)

"Let me introduce myself, my name is James Durban." When on the defensive, I invariably hide behind formality.

My rescuer was more relaxed and told me that his name was Tony and that he had a house some twenty miles away.

"Have you driven far?" I asked.

"About 300 miles" he answered. "But it's very easy in the Volvo. The 265 is a very long-legged car."

"You must have spent a fortune on sound insulation" I said with an ear to the uncannily quiet performance of the engine.

"Not a bit. It's a 6-cylinder engine. 2.7 litres with fuel injection and a light alloy block. And as you can hear very quiet."

The conversation was taking a turn that displeased me. As he steered the car expertly through the narrow country roads I attempted to steer the conversation towards more general topics.

"What do you do?" I asked.

"I'm a writer and I deal in antiques. I've just bought the coffer you see in the back."

I turned round and noticed that the rear seats had been folded flat and that we were travelling with a beautiful oak chest at least 6 ft in length.

By now I was beginning to go through that most uncomfortable of human emotions—a change of mind. However, I wasn't about to give up without a struggle.

"Yes a jolly practical car the Volvo, but it's a bit short on the creature comforts don't you think?"

Looking back I'm surprised he didn't turf me out there and then. Instead, he simply defeated me with facts.

"Well," he began, "there are a few standard features you might appreciate. Like air-conditioning, electric windows, power steering, heated driver's seat..."

"How thoughtfully Nordic" I muttered gracelessly.

He continued with a light smile, "Metallic paint, electrically operated door mirrors, heated rear window, central locking."

I interrupted him. "Alright, point taken. And I suppose you still haven't come to things like a cigar lighter, electric clock and a light in the glove box?"

"Exactly" he replied. "The Volvo has all of those, not to mention stereo speakers in the front doors."

The rain had begun to ease and as my clothes dried out I recovered a little of my customary good humour.

"Well, it's certainly more comfortable than I thought, is it expensive?"

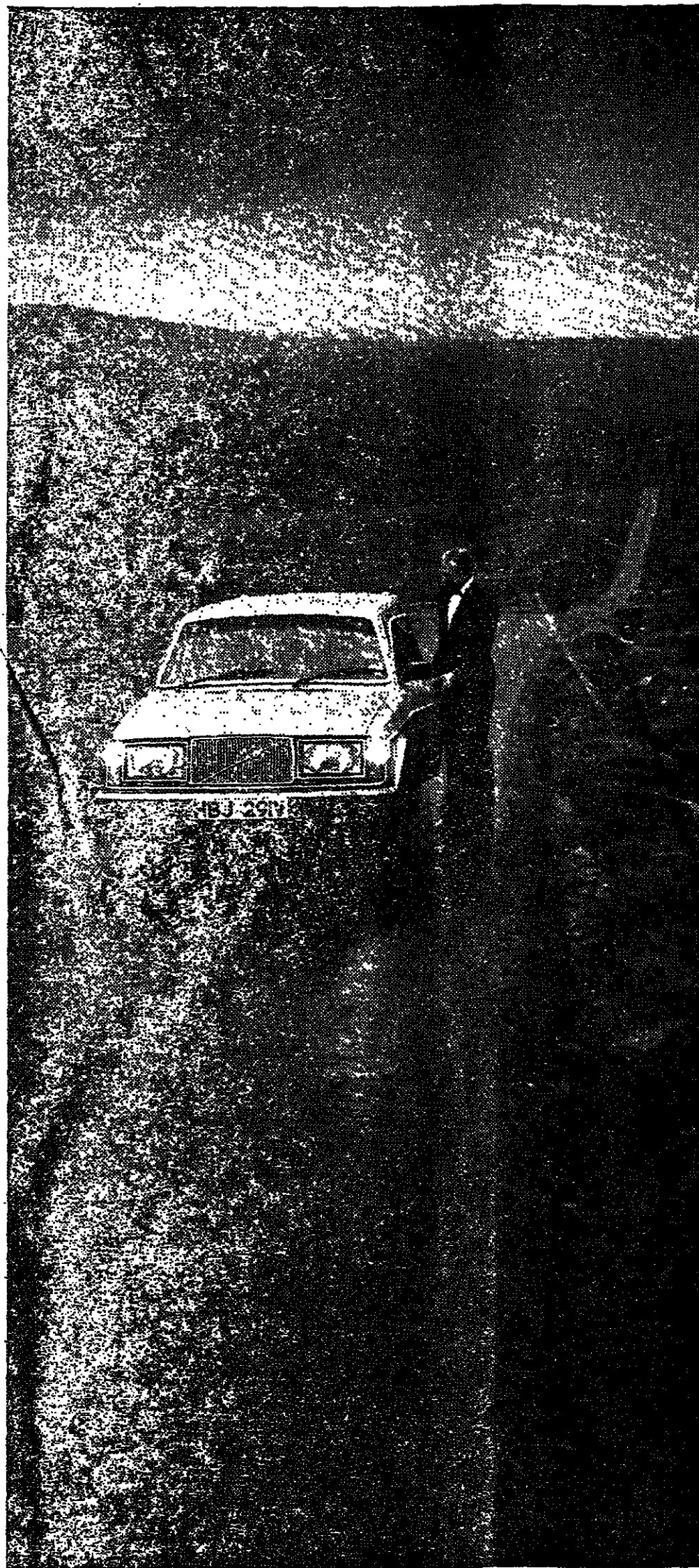
"With the automatic gearbox it runs out at £9,868."

When I thought of what I had paid for the piece of exotica languishing on the road some fifteen miles behind us, I was stung to one last justification.

"Of course, my car is much faster. I can reach 150 mph on a good dry road."

"It's not quite so fast in the wet though, is it?" He asked the question in the mildest voice possible. To my credit, after a moment's hesitation, I burst out laughing.

"Touché" I said and for the rest of a very enjoyable journey we talked about antiques. The Volvo 265.



مكتبة النور

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

RESEARCH

Making the micros work together

AN ENORMOUS amount has been written so far about the benefits of using microprocessors but relatively little about the difficulties of rapidly putting them to use in a form that will allow the average engineer/scientist, with a modicum of computer training, to gain an immediate advantage from them.

One project aimed at doing just this is called Demos by its originators the National Physical Laboratory and Scicon, the latter having the task of commercialising the outcome.

For once, it appears that Demos has no acronym, nor is it truly a product in the accepted sense. What it is, in effect, is a novel method of putting together a number of small computers, minis or micros, and treating them to all intents and purposes as if they formed one large machine.

One immediate result of this method of approach is that the programming problem becomes less time-consuming, if considerably more subtle. But, at the same time, Demos dispenses with a complex generalised operating system and instead relies on one which is application-oriented. Each processor in the arrangement has its own store, the system is not a dispersed one, and it is programmed as if it were one unit.

Notionally, the method would be suitable for handling from five to 50 processors and instruction rates of typically 12M per second. A large conventional machine would run at around 5m and one of DEC's powerful minis, the PDP 11/70, at 0.4m.

Prototype equipment is based on three Argus 700F machines at the National Physical Laboratory, each with a 10MB disc, connected temporarily into the

NPL "information ring main." By January this should be running at 6m words/sec.

Demos has been selected by European Space Agency for a major project covering the simulation of satellite systems and space experiments and able to link together up to 32 minis or micros.

Meanwhile, a big effort is being put by the two partners into yet another development which will harness together 16 of the powerful and relatively new Intel 8086 micros to run on the ADA real-time language evolved for the use of the U.S. military, among others. It should be ready for demonstration during the first quarter next year.

Scicon sees ADA emerging as the most important of the languages for use in real-time working and it is probable that, in Britain, over the next few years bids for military work will offer it as well as the UK-backed Coral 86.

Involvement with Demos and ADA/Scicon will undoubtedly take it further into the real-time world where it already has seven message switching and 18 front-end systems in and operating and is developing five new systems for depot automation.

This systems and service house is also deeply involved in manufacturing.

HANDLING

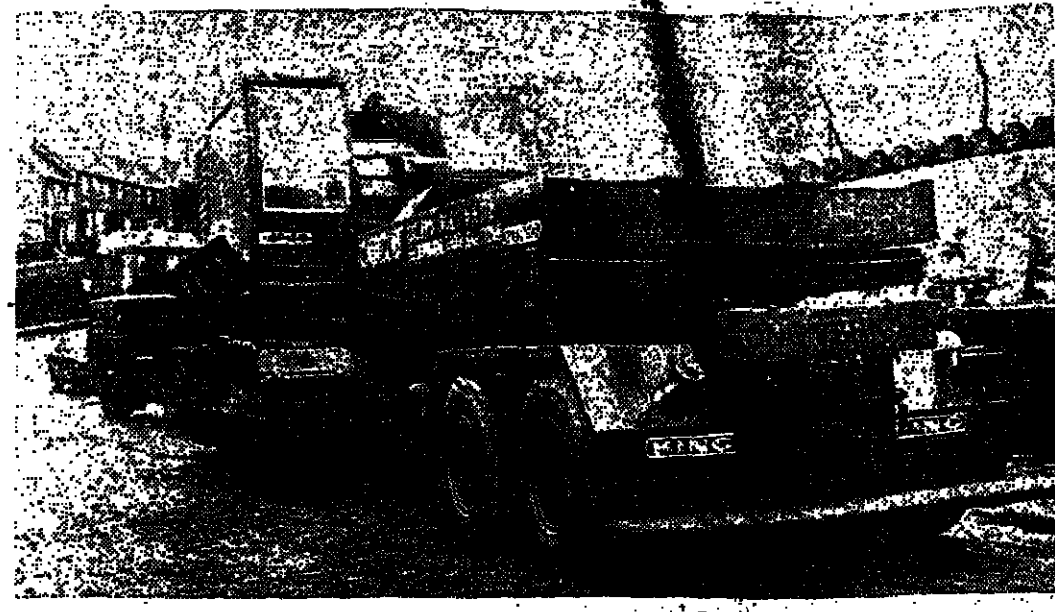
Moves heavy equipment safely

ANYONE WHO has seen heavy tracked equipment being manoeuvred up timber baulks and on to the deck of a trailer need not be told that it is a skilled and somewhat dangerous operation.

Offering a major simplification is equipment from low-loader specialist King Truck Equipment a beam deck trailer that sharply reduces the overall height of transported cranes and other large items of tracked plant and equipment.

The trailer's narrow (4 ft) beam deck locates between the tracks and supports the undercarriage of the crane/plant, leaving the tracks suspended over the sides of the deck. This, combined with the low deck height (25 in, nominal, laden), effects the significant reduction in overall load height.

The deck is lowered/raised by a hydraulic gooseneck which detaches to allow drive-over



loading and unloading.

The trailer, supplied by Cadzow Plant, Hamilton, has a 50-ton payload capacity and will be operated behind a Scania 6 x 4 tractor unit, giving an overall length of 66 ft. The rear bogie is a King rear steer dolly, assisting manoeuvrability in tight situations.

Carrying one of Cadzow's

Ruston Bucyrus 38RB Series 2 excavators, the overall height is only 14 ft, compared with a height of 15 ft 3 in when carried on a conventional low loader. The beam deck is 26 ft long by 4 ft wide and it has sunken shackles for securing the load. It also has outriggers which can be used to widen the deck for ordinary load carry-

ing. The gooseneck is a King H80 Hydroneck.

Additional full width decks with various lengths are available with this trailer and standard form capacities up to 80 tons are possible.

King Truck, Riverside Industrial Estate, Market Harborough, Leics., LE18 7PX. Market Harborough 7381.

LAING
make ideas take shape

HEATING

Control of furnaces

OFFERED BY Alan Bennett of Sheffield are power regulators for resistive and semi-inductive loads such as furnaces and ovens covering the one to 1000 kW range.

By altering circuit links the regulator will alter the feed to the load either by phase angle firing of the thyristor devices or by burst firing, in which the cross over point on the mains waveform is detected and the input is switched on and off for a whole number of cycles, thus varying the average output to the load. Single or three phase loads can be accommodated and the company emphasises that all known types of heater can be fed.

The AC output is variable between 0 and 98 per cent of the mains voltage; input control can be manual using potentiometers or remote from 0 to 5, 0 to 10 or 0 to 20 mA sources. Alternatively control can be via a programmed logic controller. Input circuits are particularly suitable for centralised control whereby a user can impose peak kVA demand-limiting on several heavy loads which, if operated independently under local control sensors only, could take power at the same time, with peak demand penalties. Oligvare Drive, Sheffield, S13 9NR (0742 855283).

INSTRUMENTS

Determines elasticity

MODULUS OF elasticity can be determined immediately, without the need for calibration or lengthy computation, using an electronic instrument put on the market by Lemmens Elektronika, Research Park, B-3044 Leuven-Basrode, Belgium. Useful in a production or research environment, the Grindo-Sonic Mk 9-S makes use of a shock excitation technique, measuring the period of natural vibration of an object when struck. The period is measured by a fixed frequency crystal controlled reference oscillator which provides an accuracy and stability better than 0.05 per cent under all operating conditions.

The operator's role is limited to initiating the signal by striking the component (force of the impact is not important); for quality control application, the Grindo-Sonic has been equipped with upper and lower setting limit facilities.

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Impact of technology

RESEARCH WORK paid for on a subscription basis is to be undertaken by the Human Sciences and Advanced Technology (HUSAT) research group at Loughborough.

This may well be the first time this kind of scheme has been applied where a university team considers the needs of a particular industry, plans appropriate research and then invites industrial concerns to support it on a subscription basis.

HUSAT, which includes experts in ergonomics, psychology and related sciences, is a group within the University's Department of Human Sciences. The group is concerned with human factor problems, particularly in methods of applying advanced technologies, ranging over many problems from the effects of computerisation and automation to the evaluation of particular examples of complex machinery.

Emphasis will be on the computer and microprocessor side of modern developments, and HUSAT's aim will be to study ways in which these can be best

adapted to the needs of the individuals who are to work them. Concentration will centre primarily on individual people's confidence, comfort and efficiency when using the equipment. Experience has shown that this almost invariably leads to improved morale and efficiency within the whole organisation.

Typical proposals are "Work Organisation and Rest Pauses for Users of Visual Display Screens" for which about 25 subscribers or joint sponsors will be invited to contribute £200 each; The Use of Word Processors (25 at £350); and Communicating with Machines by Voice (11 at £350).

For this contribution the sponsor will be sent full reports on the research, receiving useful results normally in a matter of months—a substantial benefit in return for a relatively small payment.

Loughborough University of Technology, the Elms, Elms Grove, Loughborough, Leics. LE11 1RG. Loughborough (0509) 63171 extension 393 or 392.

PACKAGING

Wraps and packs the biscuits

ROUND, SQUARE or rectangular biscuits can be stacked into rectangular pile packs with six-sided corrugated paper protection and a single or double overwrap with a machine known as the RF 380 now added to the range of Rose Forgrove, Seacroft, Leeds.

Production speed is up to 30 packs per minute, says the company, and only one operator is required to supervise the advance-design pile feeder which can be fed with a minimum of channelling from an existing packing table, or by hand, and incorporates a pressureless feeding system.

Wrapping section is designed to give the operator maximum access and good visibility and a comprehensive fault-finding panel also enables him to rapidly identify and correct malfunctions.

DATA PROCESSING

Share facts will be in colour

SIGNIFICANT in the announcement that the Stock Exchange in London has placed an initial order for 100 viewdata terminals to be used on its Topic price information services, is that the order has gone to a newcomer—Bishopsgate Terminals.

Formed only a few weeks ago by Hambros Bank, the Modcomp minicomputer maker (which is now joining force with AEG Germany), and Alphameric Keyboards, Bishopsgate claims to be providing its equipment wholly from UK sources—modems by Pye, colour displays from Sony at Bridgend and keyboards made by Alphameric.

The Stock Exchange's chosen terminal will also have the ability to gain access to the

Prestel service and show programmes from the various TV channels.

Over the next three years, it is expected that Topics (teletex output of price information by computer) will take some 2,000 terminals—around £2m worth—and that the ultimate requirement for this system will be 5,000.

Bishopsgate hopes for the lion's share.

In the meantime, according to Mr. H. E. Fitzgibbons, a director both of Hambros and Bishopsgate, many outlets are developing very rapidly for the terminal design mainly because other offerings on the market are generally adaptations of

equipment developed primarily for home viewers' use and not completely suitable for private viewdata systems.

Because of its composition, Bishopsgate will be a prime contender for the supply and installation of private viewdata systems both in Britain, where it will compete strongly with Philips and GEC, and in the U.S., where direct competition will not appear till GTE gets down to it.

Bishopsgate Terminals, 41, Bishopsgate, London EC2. Alphameric Keyboards, Manor Way, Old Woking, Surrey, GU24 7JSS. Modcomp, Holly Millers Lane, Wokingham, Berks. 0734 788711.

Runs machines efficiently

BOEING Computer Centres is supporting in the United Kingdom system analysis and resource accounting, "SARA."

This application package has been used successfully by Boeing in the U.S. to improve computer system management. The package is designed for IBM 360 and up, Honeywell GCOS and Univac 1100, and can be used instead of or complementary to hardware monitors.

SARA provides three methods of producing reports from the computer's standard accounting file. The first processes raw accounting file data to produce a standard set of reports plus a comprehensive data base used in subsequent analysis. The second uses this data base and displays graphically historic data to show trends and future requirement projections. The third is a powerful report writer which allows managers to service their individual information requirements based on the computer's accounting data.

With the product, the computer manager can judge accurately overall computer utilisation, operational problems and job by job characteristics, which is vital to the efficient management of a data centre and to the assessment of new equipment requirements.

The system is available on perpetual licence at a fraction of the cost of hardware monitors and is backed by the support of Boeing, the company asserts.

Boeing Computer Centres, St. Martin's House, Clarendon Road, Watford, Herts. Watford WD17 3JZ.

PROCESSING

Recovery of silver

WITH THE continuing escalation of precious metal prices, the recovery of silver from the fixing baths in photographic laboratories becomes ever more attractive.

The basic electrolysis technique has been employed for many years, but in a machine called El Toro, made by AB Nils Christansson in Sweden and available in the UK from A. Johnson and Co. (London), moving parts such as rotating anodes have been designed out and the spent fixing solution from the photoprocessor is kept in motion by means of a pump.

Current through the unit can be adjusted up to 10 amperes and the deposition rate is about four grams of metallic silver per hour per ampere. The cathode upon which the metal collects is a stainless steel cylinder, the anode a carbon rod. The cylinder is easily extracted and the silver scraped off with a plastic spatula.

The equipment measures 310 x 430 x 520 mm and weighs 18 kg. More from Aldwych House, Aldwych, London, WC2B 4EL (01-404 0755).

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Pan Am's Daily Schedule to America

From London to	Leave	Arrive	Notes
Detroit	1100	1655	
Honolulu*	1325	2350	
Houston	1400	2135	
Los Angeles	1325	1950	
New York	1100	1335	
San Francisco	1210	1510	Wed/Fri/Sun
Washington	1210	1735	Mon/Tue/Thu/Sat
Also: Seattle	1440	1800	
	1210	1350	Mon/Tue/Thu/Sat

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THE MANAGEMENT PAGE

Christopher Lorenz meets Victor Kiam, currently repairing the Remington razor empire

The American company doctor who enjoys a close shave

VICTOR KIAM is about to celebrate the first anniversary of one of the worst weekends of his life...

For a man who positively enjoys relaxing at weekends—unlike many other relentlessly hard-working entrepreneurs—last November's long wait was particularly uncomfortable.

But it was worth it. Early the following week—appropriately just before Thanksgiving Day—he discovered that he had secured his prize, the chance to acquire sole ownership of a \$100m business for little over \$25m...

Behind the story of Kiam's coup—and his subsequent revival of Remington in double-quick time since the formal acquisition this spring—lies a series of themes. Combined, they epitomise some of the main pre-requisites for entrepreneurial success on a grand scale...

The second precondition for widespread entrepreneurial

success, as in Kiam's case, is a business climate which not only accepts risk, but positively promotes it. For over a decade Kiam has enjoyed two key financial advantages...

An even more dramatic illustration of the positive attitude towards industry of the U.S. financial community is the fact that it was actually a commercial bank, Chase Manhattan, which provided the bulk of the finance for Kiam's purchase...

Kiam's pedigree and experience were considerable attractions to Chase, which has never presided over a failure. In 1975-76, for example, one of his companies suffered badly from cut-throat competition in the digital watch market...

A native of New Orleans, Kiam had an unusually long college education, by immediate post-war standards, attending in turn the Universities of Yale and Paris, followed by an MBA stint at the Harvard Business School...

For four years he "went down the learning curve" of marketing, as he puts it, progressing rapidly from salesman up to divisional marketing director...

By the time Kiam left Playtex 13 years later, the company had expanded all over the world, with sales growing more than ten-fold to \$350m. Perceiving its potential early in his time there, Kiam invested everything he had into its stock...

While shavers provided only about 5 per cent of its sales, the



Victor Kiam

Kaplan has crowned a top financial job at Ford under Robert Macnamara with a new career in "risk finance." First as controller of Scientific Data Systems and then, after SDS became a key part of the flourishing Xerox Corporation...

Very early in his inquiries about Remington, Kiam made a crucial discovery. Many experts in the electric shaver trade considered its main problem to be inadequate marketing...

Together with Kiam's inability to persuade Dior to extend the Benrus licence into other product areas, the disposal decision meant that the growth potential of the company as a whole was limited...

This was the "Friendship Collection," a fast-growing importer of jewellery, antiques and artifacts from China that they had founded two years before in true entrepreneurial style...

With equally impeccable timing—though Kiam insists it was pure chance—they chose last week, while the publicity from Chairman Hua's British visit was still in everyone's minds...

By 1968, when Playtex was swallowed by a conglomerate, Kiam had progressed to the crucial position of vice-president of marketing, which, after all, is the core of that company.

With the help of a group of venture capitalists, and with a stake of less than 10 per cent himself, he bought control of Benrus, a loss-making family company in urgent need of repair...

One of Sperry's reasons for the sale was that the shaver business had become increasingly irrelevant to its overall strategy, yet more and more troublesome to its top management...

vast majority of Sperry's interests were in a range of capital goods (including computers, defence electronics and agricultural equipment).

In the old days, shavers had been a steadily profitable business for Sperry. But for a good decade, they had generally provided problems: losses in most years, marginal profits in others.

Sperry tried one approach after another to combat the international competitive thrust of Philips, Schick, Braun (part of the mighty Gillette group) and others.

Just before it decided to sell the business altogether, Sperry cut its labour force sharply, closing plants in Australia and Canada, and virtually withdrawing from several European markets (though not Britain, where Remington still has a small factory).

True to form, then, Kiam has a wealth of ideas for diversification. But, just as when he was at Benrus, he will have to keep an extremely watchful eye on his basic business.

Hallowed style

As Kiam quickly discovered for himself—with a valuable second opinion from Kaplan—Remington had for two years had a top-quality modern "foil" shaver for men.

So convinced is he of its merits that he can now be seen at peak viewing time on Britain's commercial television screens, putting over the message about his "Microscreen" shaver in stylish person and—in hallowed salesman style—offering customers their money back if they're not satisfied.

Along with this forceful promotion of his premium product has gone the marketing of a more traditional type of shaver priced at only \$20 in the U.S.—slightly more in Britain—which Sperry had sold only in very limited geographic markets before.

Kiam's marketing approach is obviously the classic American one of selling at carefully selected "price points," and not necessarily increasing prices just because one's competitors do so.

On its own, such a strategy could be a recipe for soaring sales and slumping profits. Combined with other, more painful, steps it has actually succeeded in bringing Remington back into profit in less than a year...

The development cutback was

prompted by—not in spite of—his belief in product quality. "We don't need any new shaver products," he argues.

The axe was wielded immediately in most areas of management. Within days, Kiam had removed about 100 executives, "including people making up to \$75,000 a year," he says.

With a total labour force of less than 1,000 Kiam believes Remington will again become a major force to be reckoned with in the shaver business.

One already in mind is a grooming appliance which he thinks Braun and Gillette would be unlikely to sell. Another is to go into products such as ties (a theoretical example) or jewellery, where the Remington name might prove an attractive selling point.

True to form, then, Kiam has a wealth of ideas for diversification. But, just as when he was at Benrus, he will have to keep an extremely watchful eye on his basic business.

With the helping hand of Chemical Bank, he rapidly constructed a mixed package of finance from several sources.

With the helping hand of Chemical Bank, he rapidly constructed a mixed package of finance from several sources. By the decisive weekend a year ago, Kiam had secured sufficient backing to give him total ownership—provided Sperry itself would

A Stateside lesson in bold banking

"Leveraged buyouts" have become increasingly common in the United States over the past two years, as a way for entrepreneurs to fund takeovers by the raising of debt, rather than equity.

This practice has not yet caught on in the far more cautious European banking world. But there is growing evidence that some of Europe's commercial and universal banks are beginning to examine how they, too, can develop new ways of financing small and medium-sized firms, particularly "risk" ventures.

Such a step may seem unnecessarily bold to the arch-conservatives. But it has to be taken if banks are to capitalise on a potentially lucrative market by giving more entrepreneurs the chance to prove their worth—thereby benefiting the national economy in general and the labour market in particular.

Why did he not seek the support of all the venture capitalists he has come to know over the years? For one thing, the task of assembling \$25m from them would have been laborious in the extreme, since venture capitalists seldom bid much more than \$1m a time in any one investment.

They also tend to demand a substantial slice of the equity, as they did when Kiam bought into Benrus in 1968. This time, he thought he would be able to fund much of the acquisition through debt, and still end up with between a quarter and half the equity without himself putting up more than a few hundred thousand dollars.

With the helping hand of Chemical Bank, he rapidly constructed a mixed package of finance from several sources. By the decisive weekend a year ago, Kiam had secured sufficient backing to give him total ownership—provided Sperry itself would

help finance the deal in some way.

This the company did, by giving him a 15-year mortgage-type loan on Remington's properties and by financing the non-U.S. operations for another year. By next March, a year after the agreement took full effect, Sperry will have been paid \$15m of the \$25m purchase price, says Kiam.

It was only after he knew he had won the race that Kiam discovered that Chase Manhattan's Commercial Finance Division would be prepared to bring down the overall cost of the deal by replacing that part of the package by had constructed from sources other than Sperry.

In exchange for a credit line totalling \$18.5m, the bank has charged him interest at 3.5 per cent above the U.S. Prime Rate. From his point of view this was a relatively good rate; in other cases it has been as high as 5 per cent.

Chase's collateral includes various charges on receivables and stocks, though not fixed assets in view of Sperry's part of the arrangement. Remington has to report monthly to Chase, which could reduce its financing if Remington failed to meet agreed forecasts.

The entire agreement is an annual one. "So if you boot it, you're pretty much at the mercy," reflects Kiam about this sort of deal. One could theoretically try to raise money elsewhere if the bank cut back the finance or checked it off entirely, but other potential investors would obviously be reluctant to get involved in such a case.

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1. LOMBARD

Monetarism and Mrs. Thatcher

BY PETER RIDDELL

THE CONSERVATIVES' economic experiment has run into problems much more rapidly than anyone can have expected. Until now there has been a tendency, not least among Ministers, to say that the cuts in taxation and public spending and the freeing of exchange controls must be allowed time to work through. Consequently everyone should get back for a year or so, recognising that the ride may be bumpy. But the latest crisis of confidence suggests that the earlier measures were not sufficient and hence the ride may be even bumpier.

This is a particular test for Mrs. Thatcher. Interest rates have often been the economic issue about which Prime Ministers of both parties have been most touchy, and Mrs. Thatcher is no exception. In June she had major reservations about the two point rise in Minimum Lending Rate to 14 per cent announced in the Budget and she had to be persuaded of its necessity by the Governor of the Bank. But now the Prime Minister and her colleagues must again face the reality that monetarism is not palmiss.

Much deeper

It would be easy to blame the latest crisis on just one monthly erratically bad money supply figures. There are certainly grounds for hoping that the November figures should be better as Value Added Tax payments flow in at the higher rate. But the problems are much deeper than this and started earlier. After allowing for all the distortions, both plus and minus, it is clear that the underlying rate of monetary expansion has been between three to six points higher than the upper end, let alone the mid-point, of the official 7 to 11 per cent target range.

The Government always reckoned it would be the second half of the financial year before its tax and spending measures reduced public sector borrowing and before higher interest rates and a slower rate of output growth reduced bank lending to the private sector. This always looked to be a tight timetable and it is now clear that the Government was taking too many risks on the fiscal side, indeed public borrowing

may be higher than the official £8.5bn ceiling. But the real problem has been bank lending which has remained remarkably buoyant. As brokers L. Messel have pointed out, the result has been a "credit-hungry inflationary psychology".

In these circumstances higher nominal interest rates are clearly desirable. There will no doubt be many headlines and complaints later this week about the horrors of record interest rates. But it would be more honest to talk about the penalties on savers being eased and negative real interest rates being cut. Even after the maximum likely rise in the mortgage rate borrowers will still be paying two to three points less than the inflation rate.

A rise in nominal interest rates will obviously cause a political storm but all it does is to reduce the subsidy to young borrowers from old savers and should be recognised as such. Anyone concerned about high interest rates should look at the Continent where the real cost of borrowing is nearly 8 per cent in Belgium and even 14 per cent in West Germany.

It would be an encouraging indication of the Government's willingness to face up to the implications of its monetarist commitments if it openly admitted these points. There is an inevitable political desire to shift the blame elsewhere as Sir Geoffrey Howe appeared to be doing in the Commons last week. During non-committal answers which did nothing to remove the belief that a rise in M.L.R. is on the way, he specifically highlighted the sharp rise in U.S. rates. But the real problems are domestic.

About the only person who can view all this with any comfort is Mr. Denis Healey who regularly went through similar financial crises. But the Conservatives should not forget that an incompatibility between fiscal and monetary policy was the real cause of these crises. After this week they will also have good reason to remember Mr. Healey's remark—just before starting his resignation in October, 1977—that "one of the lessons learned by all people who hold my job is that there are fairly strict limits within which it is possible to withstand market pressures."

TV Radio

BBC 1

9.35 am For Schools, Colleges, 12.45 pm News, 1.00 Pebble Mill at One, 1.45 Bagpuss, 2.00 You and Me, 2.14 For Schools, Colleges, 3.20 Pwb Yi Ei Fro, 3.53 Regional News for England (except London), 3.55 Play School, 4.20 Secret Squirrel, 4.25 Jack-in-the-Box, 4.40 Buford Files and Dinky Dog, 5.00 John Craven's Newsround, 5.10 The Record Breakers, 5.40 News, 5.55 Nationwide (London and South East only)

BBC 2

10.05 am Business World, 11.00 Play School, 11.25 Write Away, 11.40 A Child's Place, 2.30 pm The Engineers, 3.00 Whistle Blowers, 3.30 The Living City, 4.00 Working with Young People, 4.30 Working for Safety, 4.55 Flash Gordon's Trip to Mars, 5.55 Grange Hill, 6.15 The Waltons, 7.05 Mid-Evening News, 7.15 Testament of Youth, 8.10 Chronicle, 9.00 Not the Nine O'Clock News

F.T. CROSSWORD PUZZLE No. 4,124

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11	12	13	14	15	16	17	18	19	20
21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40
41	42	43	44	45	46	47	48	49	50

Radio Wavelengths

BBC Radio London:
1459kHz/270m
1089kHz/270m
939kHz/270m
909kHz/270m
810kHz/270m

RADIO 1
5.00 am News Summary, 5.03 Tony Brandon (a), 7.32 Terry Wogan (s), 10.05 Jimmy Young (s), 12.15 pm Waggoner's Walk, 12.50 Pops Murray's Open House (s), 2.15 David Hamilton (s), 4.15 Much More Music (a), 5.00 News, 5.05 Waggoner's Walk, 5.20 John Dunn (s), 6.45 Sports Desk, 8.02 Brian Ferry and the BBC Scottish Radio Orchestra (s), 7.30 Folk 79 (s), 8.02 Mavis Cheung with Music for Your Pleasure (a), 8.55 Sports Desk, 10.02 Laughter in the Air, 11.02 Sports Desk, 11.06 Brian Matthew with Round Midnight, including 12.00 News and 12.05 am Sports Desk, 2.00-5.00 You and the Night and the Music with Jan Leaming (a).

RADIO 2
6.55 am Weather, 7.00 News, 7.05 Overture Concert, part 1 (s), 8.00 News, 8.05 This Week's Composer, 8.10-9.00 Northern Uplands

THE FIRST commercially-made British management training films were released no more than ten years ago—one, from AB Pathe, *Management by Objectives*, and the other, jointly from the Financial Times and Rank, *Talkback*, a study in communication still in regular use.

Shortly before then Rank had started to make the first British sales training films, putting an end to the absurd situation which had obliged British managers and salesmen to rely on American films for their training. Over this rather hectic decade the market for training films has become huge, with a few—such as Rank's *Who Killed the Sales?*—grossing revenue well in excess of £4m and even turning the tables by earning some of this revenue in North American markets.

One essential factor behind the success of British training films has been their creative excellence and their enjoyable style. American films had been characterised by a mix of erudition and recitade, delivered like a class-room lecture. Rank, and later Video Arts, showed that British training films could be enjoyable—putting people like John Cleese and Richard Briers into absurd situations that made their points pungently and persuasively and encouraged the audience to come back for more.

That revolution is now beginning to look a long way away. Ten years on, the British training film is in danger of looking

a tired and degenerate species. Increasingly, it is being made to a formula, which goes something like this: find a management problem, reduce it to a number of simplistic principles capable of checklist analysis, graft this on to a story line set in an office or factory where at least one person is behaving badly and another dispenses wisdom and understanding like Brownie points, and finally cast into the roles a few well-known stars from television—preferably at least one who is enjoying a fashionable following.

Thus in Rank's latest, *The Pursuit of Efficiency*, we have Penelope Keith, in the manner, both doing her elegant stuff as the plain thinker and straight talker. In this film she goes round a company in the guise of an improbable tea lady—pointing out the obvious inefficiencies of both employees and methods.

It is difficult not to find some pleasure from the film because of Penelope Keith's charm. But the situations are not really very funny, the structure of the film hardly compelling, and the training principles barely a revelation ("people tend not to question established practices; they even defend them, because they are used to them").

The last quote is to be found in the Leader's Guide which accompanies the film, and it is these essential documents—

from a quintessential analysis of the problem. One of the latest releases from Management Training continues the trend towards the tired and the predictable. *The Office Supervisor* contains all the elements of the formula: the problem of supervising office staff, the reduction of the

winning in its portrayal of the relevant situations. Anyone reading the "menu" card afterwards will certainly relate some of the points to sequences in the film. But this is hardly the synergy of words and pictures that caused Lenin to hail film as the great art form to be used in building the Soviet Union—and helped the British to inspire the Dunkirk spirit during the last war.

The subjects are there to be tackled, exemplified in another new training film, *Discord*. Jointly sponsored by the Industrial Relations Training Resource Centre and Rank, this generally avoids using the training film formula; the answers are missing in the fictional account of events surrounding a work stoppage at an printing company, and it more sensibly becomes a catalyst for use in group discussion later. Nonetheless, it has none of the trenchant tension or emotional insight of another British training classic—*Dispute*. This was, and still is, a gripping and intelligent analysis of the subtle elements that lead inexorably to an industrial dispute.

The most convincing attempt at the dramatised training film in recent times comes, unexpectedly, from Ireland. Sponsored by the Allied Irish Banks and AnCo (the Industrial Training Authority in Ireland), this follows a course of a training report for a course at a training centre. Its title, *So... Who*

Morley's strong double chance

DAVID MORLEY, joint top trainer at Nottingham with Harry Thomson Jones over the past four seasons—the pair have landed 11 winners each—fields a strong team on the Midlands circuit this afternoon.

The 40-year-old Bury St Edmunds trainer looks to have bright prospects of a double

ing Grand Triumvir by 10 lengths in a novice chase at Huntingdon, in April.

The odds-on winner of a similar, though less competitive, event on the same course later in April, French Saint is thought to have made more than average improvement over the close season. If this is the case, the tough bay can return with a win.

The last quote is to be found in the Leader's Guide which accompanies the film, and it is these essential documents—

RACING

with French Saint and Valmy. The first from this pair to take the field is that smart five-year-old French Saint, the winner of his last two races in the 79-79 season.

Lady Sarah Keswick's Saintry Song gelding, who takes on only four opponents in the Bingham Handicap Chase over two miles, probably put up his best performance last season when beat-

ENTERTAINMENT GUIDE

OPERA & BALLET

COLLEGE THEATRE, 11.30-12.30. *Les Noces*.
ROYAL OPERA HOUSE, 7.30. *The Marriage of Figaro*.
SADLER'S WELLS THEATRE, 7.30. *The Marriage of Figaro*.
COVENT GARDEN, 8.00. *The Marriage of Figaro*.

THEATRES

ADRIAN PHOENIX PRODUCTION OF *MY FAIR LADY* AND *THE WINDS OF WATFORD*.
LIZ ROBERTSON, JOHN BAVLIS AND ANNA NEALE.

GRANADA

1.20 pm Report West Headlines, 1.25 Report Wales Headlines, 2.45 Family, 5.40 This is Your Right, 6.15 Crossroads, 6.00 Granada Reports, 6.30 Cabbages and Kings.

LONDON

9.30 am Schools Programmes, 12.00 Simon in the Land of Chalk Drawings, 12.10 pm Stepping Stones, 12.30 Emmerdale Farm, 1.00 News, plus FT Index, 1.20 Thames News, 1.30 About Britain, 2.00 After Noon Plus, 2.45 Love Boat, 3.45 George's the Same, 4.45 Maggie, 5.15 Monty's London.

SCOTTISH

1.25 pm News and Road, 2.45 The Electric Theatre Show, 3.15 Cabbages and Kings, 5.10 Tales of Crime-Bill Knox, 5.20 Crossroads, 6.00 Scotland Today, 6.30 What's Your Problem, 12.50 am Late Call.

SOUTHERN

1.20 pm Southern News, 2.45 London, 5.10 This is Your Right, 6.00 Day by Day, 12.15 am Southern News Extra.

TYNE TEES

9.20 am The Good Word followed by News, 7.40 The Archers, 12.15 pm North East News and Lookaround, 5.15 Mr and Mrs. 6.00 Northern Life, 12.20 am Epilogue.

ULSTER

1.20 pm Luncheon, 2.45 News Headlines, 5.15 Ulster News Headlines, 5.15 Caravan, 5.30 Crossroads, 6.00 Good Evening Ulster, 12.15 am Bed-time.

WESTWARD

12.27 pm Good Honeybees Birthdays, 12.27 Westward News Headlines, 5.15 am, 6.00 Westward Diary, 10.20 Channel Late News, 12.15 am Channelmatras at Previsions Meteorologicals.

YORKSHIRE

1.20 pm Calendar News, 2.45 Cabbages and Kings, 3.15 Calendar Tuesday, 5.15 The Squirrels, 6.00 Calendar (Emley Moor and Belmont editions), 12.15 am The Human Face of China.

NOTTINGHAM

1.15-Royal Wine, 1.45-Fata Morgana, 2.15-French Saint, 3.15-Swift Scott, 3.45-Haighall

REDDING

1.15-Royal Wine, 1.45-Fata Morgana, 2.15-French Saint, 3.15-Swift Scott, 3.45-Haighall

WALSLEY

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ENTERTAINMENT GUIDE

OPERA & BALLET

COLLEGE THEATRE, 11.30-12.30. *Les Noces*.
ROYAL OPERA HOUSE, 7.30. *The Marriage of Figaro*.
SADLER'S WELLS THEATRE, 7.30. *The Marriage of Figaro*.
COVENT GARDEN, 8.00. *The Marriage of Figaro*.

THEATRES

ADRIAN PHOENIX PRODUCTION OF *MY FAIR LADY* AND *THE WINDS OF WATFORD*.
LIZ ROBERTSON, JOHN BAVLIS AND ANNA NEALE.

GRANADA

1.20 pm Report West Headlines, 1.25 Report Wales Headlines, 2.45 Family, 5.40 This is Your Right, 6.15 Crossroads, 6.00 Granada Reports, 6.30 Cabbages and Kings.

LONDON

9.30 am Schools Programmes, 12.00 Simon in the Land of Chalk Drawings, 12.10 pm Stepping Stones, 12.30 Emmerdale Farm, 1.00 News, plus FT Index, 1.20 Thames News, 1.30 About Britain, 2.00 After Noon Plus, 2.45 Love Boat, 3.45 George's the Same, 4.45 Maggie, 5.15 Monty's London.

SCOTTISH

1.25 pm News and Road, 2.45 The Electric Theatre Show, 3.15 Cabbages and Kings, 5.10 Tales of Crime-Bill Knox, 5.20 Crossroads, 6.00 Scotland Today, 6.30 What's Your Problem, 12.50 am Late Call.

SOUTHERN

1.20 pm Southern News, 2.45 London, 5.10 This is Your Right, 6.00 Day by Day, 12.15 am Southern News Extra.

TYNE TEES

9.20 am The Good Word followed by News, 7.40 The Archers, 12.15 pm North East News and Lookaround, 5.15 Mr and Mrs. 6.00 Northern Life, 12.20 am Epilogue.

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The A

Needs Training? summarises its reason for demonstrating the relevance of management training to real situations at work.

It is hardly going to raise the "temperature" in any cinemas when shown, but it does come closer to reality than many current training films—perhaps because it was made well clear of the sophisticated influences of in-breeding now prevalent in the UK. It is available in England through Training Films International.

A return to documentary reality might halt the decline which I suspect is dulling the senses of so many training audiences. Stylised reality has become such a nasty habit in recent films that the connection with human beings is in danger of getting lost.

Television documentary repeatedly demonstrates how it is possible to galvanise the nation with genuine examinations of vital social issues. But because training is not an issue that preoccupies the public mind, it is never likely to be tackled by television except in further education films. For quality we are left with the synthesised view, highly polished and neatly packaged for commercial sale. The training film industry can do better as it has proved many times over the last few years. But it has become mesmerised by its own success and weakened by a decade of in-breeding.

كلمة الله

THE ARTS

Architecture

The American Renaissance

by COLIN AMERY

New Yorkers who live in Manhattan and never go to Brooklyn are missing something. Not only is Brooklyn full of marvelous architecture but it also has a first-rate museum. Until December 30 the Brooklyn Museum is holding a full-scale exhibition entitled The American Renaissance 1876-1917...

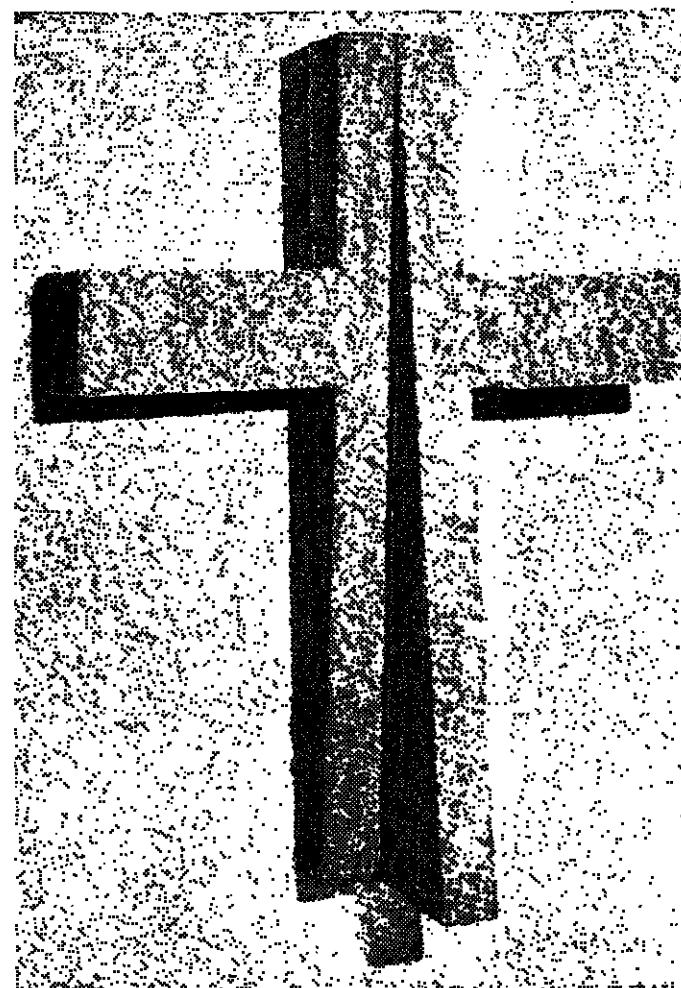
The exhibition shows clearly how intensely nationalistic the American Renaissance was — a great American pageant was to unfold from coast to coast. In the streets, parks, squares and malls of American monuments and buildings in the "eternal" style were to proclaim the virtues of the new civilisation.

Richard Guy Wilson, Professor of Architectural History at the University of Virginia, and Dianne Pilgrim, Curator of Decorative Arts at the Brooklyn Museum. They are to be congratulated on their controlled and serious approach to this field. It would have been easy to see the whole episode as a gross example of contemporary British Art...

AIR and Rowan Galleries

These are undoubtedly difficult times, hardly enjoying the best of economic weather, one might well have thought, in which to launch oneself upon the ever-treacherous waters of the art market...

Crosses by WILLIAM PACKER



'One hundred and fourteenth cross' by Keith Milow

This show is quiet, it is not uninteresting, and though Mario Dubsky's melodramatic figure drawings and larger symbolic essays must be honoured more for the attempt than the achievement...

phases this was done by imposing certain physical sequences of proportion, breaking up the surface and taking it forward or back in logical and often quite dramatic steps. He did make one integral cross, a statement of the whole that he was manipulating so obsessively...

Festival Hall

Friday's instalment of the current Stravinsky series brought David Atherton and two soloists to the Festival Hall with a greatly enlarged London Sinfonietta. Though the two neo-classical concertos in the programme presuppose ordinary symphonic forces...

Stravinsky Festival by DAVID MURRAY

St. John's, Smith Square

As a way of drawing attention to its forthcoming publication of Christopher Hogwood's Haydn and England. The Folio Society sponsored the Academy of Ancient Music in Friday's Haydn concert, a genial and cheering selection from the vast body of music produced during his four-year stay in this country...

A Haydn concert by MAX LOPPERT

The music was performed on period instruments or else on modern reproductions, in a manner that might admirably be described as domestic — there was no attempt to inflate into concert proportions so delightful a piece of Hogwood as the second "London" Trio for two flutes (Stephen Preston and Nicholas McGegan) and cello (Anthony Pleeth)...

Festival Hall

Any conductor who embarks upon a cycle of the Shostakovich symphonies must at some time negotiate the seventh, the Leningrad Symphony. Bernard Haitink is presently recording a complete cycle with the London Philharmonic Orchestra...

The Leningrad Symphony

held, easily articulated collective feeling. Now its lack of first-rate musical ideas — there is no scene characteristic of the best of the composer — and the simple-minded construction of its movements, present too much of a barrier to any sort of authentic appreciation...



Dewey Arch and Colonnade, Madison Square, New York 1899; designed by Charles Lamb, now demolished

New faces at the LSO

by ANTONY THORNCROFT

Peter Hemmings is the new managing director of the LSO. He comes from the Australian Opera, where he has been for two years, and takes on the orchestra at a most mobile time. This month, with its bags scarcely unpacked after a tour of the provinces, the orchestra embarks on its second visit to the Soviet Union...

extent for a major conductor Abbado is devoting much of the next five years to the LSO. This means that he will put his stamp upon it, both in terms of the repertoire and the sound. As Abbado says "every conductor impresses his personality on an orchestra."

is planned and next season we should hear a Stockhausen series with Boulez. Abbado is convinced that London is mature enough for contemporary work. "It depends on what you play and how you present it. You should always try and mix it with other favourites."

Saturday night jazz at the Portman

Following the popularity of its Sunday jazz brunches, the Portman Inter-Continental Hotel has introduced jazz on Saturday evenings in its Rotisserie Normande.

Artists and dates as follows:

The Temperance Seven, November 17; Bud Freeman with the Eddie Thompson quartet, November 24; the Wild Bill Davison All-Stars, December 1; Barney Kessel trio, December 8.

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LECTURES

GRESHAM LECTURES IN LAW The New Law of Contract by Professor C. M. Schmitoff 3 one-hour lectures at the Gresham College, Wellington Street, E.C.4. Mon-Fri, 11.22-8.28. Admission free.

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AGNEW GALLERY, 45, Old Bond St., W.1. 19th Century English and Continental Paintings, Drawings and Watercolours. Mon-Fri, 10-5. Sat, 10-1. Sun, 12-5.
BROWNE & DAVY LTD., 19, Cork St., W.1. 01-738 7984. RALPH BROWN - Sculpture, 19th Century. Mon-Fri, 10-5. Sat, 10-1. Sun, 12-5.

LEGAL NOTICES

PARKER-HOLDEN LIMITED NOTICE IS HEREBY GIVEN, pursuant to Section 281 of the Companies Act, 1948, that a Meeting of the Creditors of the above-named Company will be held at 32, Park Street, London W.1C 8SP, on Wednesday, 14th December 1979, at 10 o'clock in the forenoon for the purposes mentioned in Sections 283 and 284 of the Act of 1948.

GUIDE ENTERTAINMENT

CINEMAS CLASSIC 1, 2, 3, 4, 5, Oxford St., 6.30-11.30. THE BURNING BUSH. R. D. Taylor's 1978 film. 11.30-1.30. THE WOODEN MANNING. A.A. Wood. 1.30-3.30. THE ALL SHEEP BOOK. A.A. Wood. 3.30-5.30. THE LAST DAYS OF QUADROPHIA. R. D. Taylor. 5.30-7.30. THE WOODEN MANNING. A.A. Wood. 7.30-9.30. THE ALL SHEEP BOOK. A.A. Wood. 9.30-11.30.

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Table with columns for Commercial and Industrial, Residential Property, Business & Investment, etc. and rows for per line, per column, and single column rates.

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FINANCIAL TIMES

BRICKEN HOUSE, CANNON STREET, LONDON EC4A 3DF

Telephone: 01-242 3000

Tuesday November 13 1979

Slowing, not reversing

"WE ARRANGED a recession, but nobody came" one US policymaker observed ruefully after the October credit crunch had been imposed, as an emergency measure, by the Federal Reserve; and the latest indicators for the UK economy suggest that so far, at least, something of the same kind is happening here. So far only survey evidence, and the state of the mortgage market, suggest a downturn, though most forecasts are gloomy. Meanwhile, although output has been disrupted recently by industrial disputes, demand appears only mildly affected. Retail sales have recovered gently thanks to tax rebates, and car sales strongly. Large increases in wages and social benefits are still to be felt.

Price controls

While these figures provide only a snapshot of the immediate past and an admiration of the year future, experience suggests that the effect of large wage settlements on consumer demand lasts some months before the price effects work through. It is possible that the abolition of price controls will shorten this adjustment process noticeably, but the short-term outlook remains thoroughly unhelpful. Sustained demand and production faltering and cost pressures rise, suggests a poor outlook for the current payments balance, for profits and above all for inflation. This is nothing like the economic picture which the Chancellor's policies were designed to produce.

Sir Geoffrey Howe has admitted that there has been a setback. It will take "longer than expected" to get monetary growth under control, and voters are warned not to expect much immediate progress on tax reduction. The question is whether this muted warning is adequate to the situation. The fact is that the real economy is performing very much as might be expected had the Government's actual fiscal and monetary performance, rather than its intentions, been known from the start. The fiscal balance was set too expensively in June, but there is now a growing belief that the out-turn will be still more expensive. Monetary restraint is causing some discomfort, but on almost any measure of the money supply except the official one, whether narrower or broader, it is clear that money and credit are growing far faster than was intended.

The real cost of dispersal

"AN UNPARALLELED example of economic lunacy" is one way to describe the Government's decision, announced in July, to stop moving civil service jobs out of London and into the regions. Mr. Campbell Christie, of the Society of Civil and Public Servants, who made this accusation and added to it last week by claiming that the dispersal plans which survived the Government's axe are now being "sabotaged" by senior civil servants, may have had his own reasons (connected with his members' promotion prospects) for favouring dispersal. Nevertheless there is a good deal of justification in the gist and even the tone, of his remarks.

Imbalance

The arguments in favour of dispersal are clear. Firstly it helps to redress the economic imbalance between Britain's regions. Secondly, and more importantly, in the present period of belt-tightening, it saves large sums of public money by reducing the cost of providing each civil servant with the 150 sq ft of office space that he or she (on average) requires. Unemployment rates in Britain's regions vary from 3.4 per cent in the South East to 7.9 per cent in the North and the gap is expected to widen further as the recession begins to take its toll. The plans to transfer 20,000 civil service posts to some of the poorest parts of Britain, such as Glasgow and Liverpool, would undoubtedly have helped their local economies. In addition to the 60 per cent of relocated posts that are normally filled by new recruits, there is a secondary employment effect as civil servants spend their salaries on local goods and services. It is, however, in the financial calculations that the greatest benefits of dispersal lie. Lord Soames has claimed that abandoning planned dispersals will save £250m of public money over the next five years. Unfortunately he did not reveal the magic formula which will enable him to save money by keeping civil servants in London offices with rentals of around £18 per sq ft, instead of moving them to the provinces, where they could be accommo-

dated at less than a quarter of the London rents. If Lord Soames had looked into the figures in detail, he might have realised that his alleged "savings" are an accounting sham. The Hardman Report, which was published in 1973 as the basis for the original dispersal programme, is the most detailed study done within the civil service on the costs and benefits of dispersal. It does show considerable short-run costs in transferring civil servants. These include allowances for administrative dislocations, for travelling costs and for redundancy and relocation payments. All these, however, are swamped by the differences in office rentals and salaries.

Oil output

In one sense the Government can afford to take this initial failure of its policies calmly, because one element in the traditional British doom is missing: there is no external crisis, nor is there any very pressing threat of one. Slowly rising consumption is compatible with falling manufactured output thanks to the continuing growth of North Sea oil output and its rising value. However, this means that as oil output reaches something more like a plateau over the coming months, we still have everything to do. Our good fortune has so far been managed by Governments of both parties, to produce little more than an importers' benefit. It is clearly urgent to intensify policies against inflation. The first steps towards getting things genuinely tight will be announced this week, with the rolling forward of monetary targets and no doubt a further and sharp rise in official interest rates. It remains a very open question, though, whether it is possible to achieve the kind of monetary restraint the Government wants in the present situation by traditional means.

With both costs and prices now rising by well over 16 per cent, a genuine restriction of credit and monetary growth to 12 per cent would imply a very sharp contraction indeed. It must be remembered that the present regime of 14 per cent MLR and base rates has proved accommodative, not really restrictive, and the response to still higher rates remains to be tested. But some real tightening is essential, and it is bound to cause real economic pain. What the Government must remember, from our own repeated experience and from the current U.S. example, is that the longer serious treatment is delayed, the nastier it will have to be.

Nevertheless Hardman comes up with a "net cost" to the Exchequer during the first five years of a relocation programme. The sole reason for this is the extraordinary method of accounting for property costs. The calculations assume that at least 70 per cent of the new office space required by the Government in the regions will be acquired freehold in cash, but that the buildings vacated in London will be rented rather than sold or leased for a capital sum. Not surprisingly, Hardman's calculations throw up large net costs throughout the period when the Government is acquiring or building its provincial property empire.

Benefits If, instead of hoarding its offices in London and buying up further land and buildings in the provinces, the Government were to do the opposite; sell its London properties and rent its new provincial accommodation, the gains from dispersing civil servants would be immediate and enormous. Selling "public property" may have been unthinkable in 1973, when the Hardman Report was published, but now that the Sale of the Century is in full swing, the Government should surely regard some of the 73m sq ft of offices that it occupies as potentially marketable. At the very least it should calculate the costs and benefits of civil service dispersal on the same basis that any commercial employer would use.

The balances of arguments for a U.K. deterrent

BY REGINALD DALE

MRS. THATCHER'S Government is gearing itself up to take two major decisions on nuclear weapons that will have crucial long term significance for Britain's role in NATO and its future as a world power. One is relatively easy, the other much more difficult. Both would have been even harder for a Labour Government.

The easy decision has in fact virtually been taken already. When NATO Defence Ministers meet in The Hague today they will know that they can count on British support for the alliance's plans to modernise its so-called Theatre Nuclear Forces in Western Europe. In practice this means that Britain is ready to act as a base for a new generation of American Cruise missiles, capable of striking deep into the Soviet Union—even if a formal decision by the alliance as a whole is not due before mid-December.

The timing of the more difficult decision—how Britain is to maintain its strategic deterrent from the 1990s, until well into the 21st century—is not quite so tight. But the Prime Minister will want to have a fairly clear idea in her mind when, also next month, she goes to Washington for talks with President Carter. Although the aim of this par-

ticular meeting is not to sign a second Nassau Agreement with the U.S., the British Government is well aware that it will have to negotiate a new missile deal with Washington if it wants to continue as a strategic nuclear power after the ageing Polaris force is no longer serviceable.

Given the long lead times such systems take to build, a decision cannot be long delayed. The moment is also seen in London as an opportune for political reasons. The Tories, unlike Labour, are committed to replacing Polaris and would like to take what could well be a controversial decision early in the life of their Government. The current American Administration would favour such a request and there is good reason for finalising a deal before President Carter becomes totally embroiled in his re-election campaign—quite apart from uncertainty about the possible attitudes of a new man in the White House.

But why, one might ask, does Britain need a strategic deterrent in the closing years of the 20th century? It costs a great deal of money—the cost of replacing Polaris with a new Trident submarine-launched missile system has been put at around £4bn at 1979 prices. The alternative is some type of Cruise missile system. It has been argued that the

very existence of a Polaris replacement could conceivably involve the UK in a nuclear war against its will. Use of the British deterrent against the Soviet Union would in any case be suicide—a "blow from the grave" as it has been described. The money might be better spent on strengthening Britain's conventional forces or on other policy objectives.

Advocates of replacing Polaris would first of all argue that the money would not in fact be used to strengthen the country's conventional forces. Beyond that, they would argue that there are both military and political reasons why Britain should try to remain a strategic nuclear power.

Politically, it ensures a guaranteed seat at the top table of Western powers, at a time when the UK is in historic decline. In NATO, it helps to keep the economic and (conventional) military power of West Germany in perspective. In France, outside the alliance's integrated military structure, West Germany would be the dominant European partner if the UK were not a nuclear power. Britain's nuclear role is no longer a matter of serious controversy either in Washington or other allied capitals. Most American strategic thinkers welcome the small degree of extra uncertainty that the British force

creates in Russian eyes—thus theoretically at least, increasing Western deterrence. For West Europeans the strongest possible defence of the UK in time of war is particularly important because Britain would be the main bridgehead for desperately needed reinforcements from the U.S.

From a strictly British point of view the theory is that the existence of a strategic deterrent would make Moscow think twice about launching a nuclear attack on the UK, at least in the early stages of a war. Even the small British force could do some damage to the Soviet Union. If the Russians played the NATO game of graduated escalation, which is admittedly far from certain, they would launch their initial nuclear strikes elsewhere in Western Europe, conferring a degree of what is known as "sanctuarisation" on Britain.

Given, however, the suicidal nature of any British decision to unleash its strategic deterrent

on the Soviet Union Britain would obviously want to delay doing so as long as possible. The "independence" of the British deterrent is as important for a decision not to fire it as a decision to do so. Although the Polaris force is committed to NATO, the UK is entitled to assume independent control in the event of grave national emergency.

This is one of the main reasons why most strategists are in favour of replacing Polaris with a similar, if more modern, force. It is argued that if Britain is in any case going to accept American cruise missiles, under the separate NATO plan that is under review in The Hague this week, it should simply buy a few more of its own to replace Polaris. This, however, might blur the distinction between NATO missiles and an independent national force for use in dire emergency.

Cruise missiles in the numbers

required together with their launchers might also turn out to be not much cheaper than the ballistic missile system. Submarines are still less preferable than bases on land and the chances of arriving on target than the low-flying, land-hugging Cruise. NATO's strategy is also based on the assumption that submarines launched systems would be used at a later stage in an escalating war.

One can play endless hypothetical strategic war games—some people spend most of their lives doing it. Nobody, however, can be sure that a future conflict would bear the slightest relation to the scenarios currently in vogue. The most that can be said is that the majority of strategic thinkers in the West believe on balance still see a role for an independent British deterrent. But the "balance" has to be struck.

The choice of new delivery systems

BY MICHAEL DONNE, Aerospace Correspondent

DETAILED studies of which type of long-range missile system to adopt in Britain to replace the present ageing Polaris missile-carrying submarines which form the British strategic nuclear deterrent, are still in progress. No decisions are likely until some time next year.

The present force of four submarines (Resolution, Repulse, Renown and Revenge) is capable of fulfilling its task until the early 1990s, so that there is at least ten years in which to develop the replacement system. But because of the technical and industrial problems involved, it is necessary to take the basic decision on which type of replacement system—either another submarine-launched missile, or an air-launched missile—some time next year, so that the work can be put in hand by 1981.

The critical decision, because whichever way it goes will settle much of the UK's nuclear defence strategy for the rest of the century, and probably well into the next. The existing UK deterrent force is small—each submarine carries 16 Polaris nuclear missiles—by comparison with the U.S. Navy's

50-plus active and planned missile submarines, and nearly 150 missile submarines of various classes in the Soviet Navy. But it is still regarded as a vital element of the overall NATO strategic nuclear deterrent.

This is particularly so in the light of the Soviet Union's continued build-up of missile forces. If Britain decides in favour of continuing with a submarine-launched ballistic missile (SLBM), the most logical weapons system to adopt would be the U.S. Trident programme, now under development and production by Lockheed Missiles and Space Company on the missiles and General Dynamics (Electric Boat Division) for the submarines. The American programme envisages 13 new submarines through to the mid-1990s, each of 16,600 tons, and capable of carrying 24 Trident 1 missiles, with a range of over 4,000 miles. Each missile would have a multiple warhead, capable of striking several targets, and manoeuvrable so as to evade anti-ballistic missile defences. The Trident missiles are also being fitted into 12 of the existing U.S. Navy's Poseidon submarines. The U.S.

programme involves 312 missiles, with 25 Test missiles, costing in all \$3.4bn. The UK could develop smaller submarines, using fewer missiles.

The British thinking on a possible new submarine force is understood to be based on a minimum of five submarines, so that allowing for maintenance and repairs, at least two could be on patrol at any one time. The submarines could be built in British yards, thus reducing the foreign exchange costs of acquiring the system, but the Trident missiles would probably have to be acquired from the U.S. The nuclear warheads, however, could be of UK design and development, as with the current Polaris missile system.

Clearly, the cost of any Trident submarine force would be expensive, but Britain's various estimates for a five-submarine force have put the cost at upwards of £4bn, complete with missiles and warheads. While acquisition of such a system could bring much work to Britain's defence industries, it would take as much as ten years before the submarines were in service, even assuming a go-ahead in 1980-81.

The other option available is the Air-Launched Cruise Missile (ALCM). This weapon, launched from a "carrier aircraft," flies under its own power to a previously determined target (or targets, for the warheads can be multiple, as with the Trident), at distances of more than 1,000 miles. The carrier aircraft can be either a B-52 bomber (which could carry 12 ALCMs under its wings with another eight in its bomb bay), or even a converted transport aircraft, such as a Boeing 747 Jumbo jet. When launched in large numbers, each of these missiles would have to be countered by a separate anti-missile deployment by the enemy, so that defence against the ALCM is not only difficult but also costly.

The U.S. is planning to have an ALCM capability, in addition to its existing land-based missiles and its Trident submarine system, but it has not yet decided which of two types to adopt—either the Boeing AGM-86B, or the General Dynamics Tomahawk AGM-109 (of which a ground-launched variant, the BGM-109, is also under development for tactical use).

The U.S. Air Force's competitive "fly off" between the AGM-86B and the AGM-109 is now in progress. The winner is expected to be chosen in early 1980, and production missiles are expected to be delivered in the early 1980s. Britain could hardly decide between the Trident submarine system and the ALCM until the U.S. itself has decided which ALCM to use, and this is one factor behind the delay in settling our future deterrent.

The cost of the ALCM has not been disclosed, but missile for missile it is expected to be cheaper than the Trident submarine system, which would be an advantage for the UK. The UK's problem is that it does not have a suitable "carrier" aircraft, which would presuppose either buying such an aircraft from the U.S., or trying to modify some existing British aircraft, such as the Vulcan bomber, which would push up the costs of the system substantially. As with the Trident, the missiles would probably be acquired from the U.S., but the warheads could be produced in the UK. If costs and time-scales were the sole criteria for settling the

future strategic deterrent, the ALCM would seem to be the logical choice. It would be cheaper, quicker to acquire and install (it could be based on existing RAF bomber bases), and would probably require a minimum of adaptation in UK requirements. But other factors have also to be considered. One is survivability against a detectable submarine-launched missile, capable of more rapid technological improvement if that becomes necessary.

These matters are perhaps of less concern to the U.S.—which will have both types of system in its armoury, but for Britain, which can only afford one of the other, they are of considerable significance. Before taking its own decision on the form of its own strategic deterrent for the 1990s, there are some of the considerations the UK will have to weigh carefully.

MEN AND MATTERS

Old Times are here again

There was perceptible gloom on the faces of Gray's Inn Road sandwich bar proprietors as, at midday, news of yet another dispute, and the measured voice of Times editor William Rees-Mogg, issued—yet again—from the radio.

Inside the modern office block of New Printing House Square I found the eye-of-publication mood more cheerful—businesslike relief mingled with the semi-lethargy and letter-opening of late morning on any daily newspaper. In the newsroom, however, one man was already typing furiously. A story for the first issue? No, million business," smiled Jake Ecclestone, father of the National Union of Journalists chapel. Ecclestone claims to be one of the few who have worked as hard, if not harder than usual during the 11 months of the suspension. "I'm very pleased at the prospect of the paper coming back—but I don't feel a wild sense of elation," he said. Like many Times people, he has the air of a man who is used to being on the receiving end of news gathering. Indeed as we spoke, television crews, banned from the building, were hovering outside.

Name dropping

Although six months have passed since Mrs. Thatcher exchanged her life in fashionable Chelsea for a flat above the shop in No. 10, she has not left her former address entirely without a certain political *je ne sais quoi*. In fact, if an advertisement by Lyhams, a firm of Putney estate agents, is to be believed, her previous residence in the area is an extremely marketable commodity.

"Flood Street, Chelsea—adjacent to the Prime Minister's House," runs the advertisement. And, lest this proves not to be inviting enough, Lyhams also disclosed (in brackets) for the owner maintains a discreet distance from the transaction) that the property in question is "used by a very busy MP." The asking price: £125,000.

Moral tale

Clad in silver and orange and conscious, no-doubt, of their motto "True and fair," the members of the Worshipful Company of Chartered Accountants gather in St. Lawrence Jewry in the City tomorrow to perform their annual church duty. The subject: "Morality of Capitalism."

The speaker, Professor Bri

Precision in paint

Is a new spirit of modesty abroad in the football fraternity? A slogan daubed on the roof of a railway carriage at Victoria Station reads "Crystal Palace Football Club roots London." As if having second thoughts about this assertion, the daring graffiti has inserted the qualification "S.E." between "roots" and "London."

Edinburgh has been in the electronics industry since the days of the Second World War. And it is the home of the biggest employer in the business in Scotland.

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Insurance

Most sectors of insurance are currently slipping into the latest of the industry's traditional cycles of decline. The main bugbears are overcapacity, bad claims experienced this year and general weakness in the market. Most observers are not looking for an upturn until some time early in the next decade.

Riding out the bad weather

By Richard Lambert
Financial Editor

THESE ARE unsettling times for insurance companies around the world. Fundamental changes in the market place are coinciding with a time when underwriting profits are in a cyclical decline.

Over the last 30 years the major UK companies—like most of their counterparts around the world—have shown a strikingly consistent pattern of underwriting performance, touching low points in terms of their return on premium income in 1951, 1957, 1963, 1969 and 1975. History may well repeat itself, making 1981 the turning point in the current cycle. But it is just possible that the surplus capacity which is responsible for the current setback will not disappear in quite the old familiar way. In that event the world's insurance industry will be moving into uncharted waters.

The current cyclical decline has now been established for about a year, following what was

an exceptionally profitable period in 1978. Countries like Australia and Canada are contributing to this downturn, but the major weakness lies in the U.S., far and away the world's most important insurance market. While the rate of inflation has been accelerating into double figures this year, premium rates increases announced in the first nine months averaged well under 2 per cent on all lines of business. In some classes or risk, like special multi-peril or commercial fire, increased competition has actually reduced rates in dollar terms this year.

In addition, there have already been a greater number of natural disasters big enough to be rated as catastrophes in the U.S. so far this year than in any previous 12-month period. It looks as though total U.S. catastrophe losses could exceed \$1.7bn in 1979, which would be nearly double the previous peak set as far back as 1965—the year of Hurricane Betsy.

Leading U.S. brokers Conning and Company estimate that the U.S. stock companies will show a combined operating ratio on property and accident business this year of over 102 per cent. That figure represents expenses plus claims as a percentage of premiums (which are likely to exceed \$60bn), and means there will be substantial underwriting losses this year. In 1978, by contrast, the ratio was 97.4 per cent.

The outlook for 1980 is for a further deterioration, and Conning and Co. projects an operating ratio for that year of nearly 106 per cent, which would be just about as bad as the experience of 1974. High interest rates are boosting the major

component of insurance company profits—investment income—but this does not represent a net gain since in an extremely competitive environment this factor is bound to be taken into account when setting premium rates. In other words "pure" underwriting losses are that much larger.

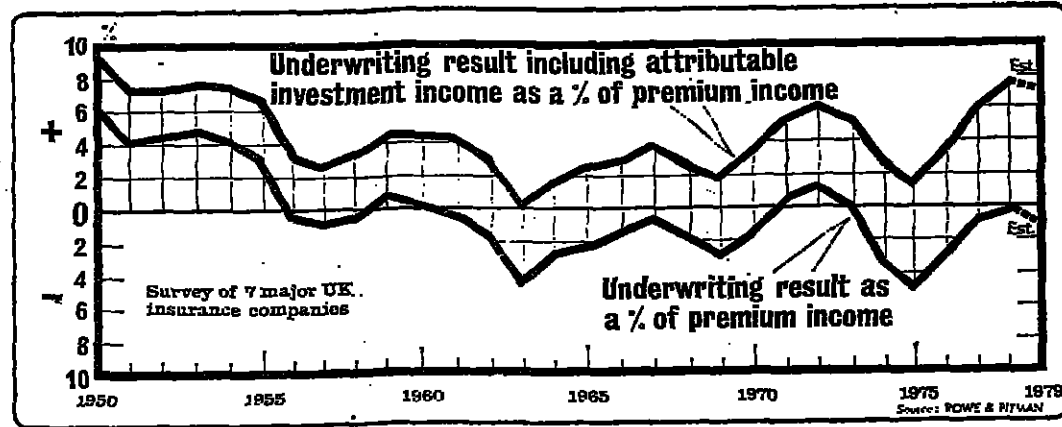
Moreover, it is desperately difficult to get rates right in a period of accelerating inflation, as some UK companies found to their cost in the mid-1970s. The price of just about everything in the U.S. is now rising at a much faster rate than seemed probable only a few months ago. Premium rates which looked pretty tight at the time must now look downright inadequate.

Of course there is nothing particularly new about this kind of market development. Insurance is a highly geared business, which attracts new capital when it makes fat returns and then suffers a lean phase until capacity and business volumes get into line again.

Wistfully

It is always at the present stage in the cycle that the established companies like to talk wistfully about the need for "disciplined" markets. Usually the market-place exerts its own discipline. But competition is now coming from some rather different sources—from people who are hungry for premiums, and whose prime concern, at least for the short term, is to build their share of the market rather than their earnings per share.

One reason for this is that the insurance community is becoming much more international. The UK companies



have long written a very large part of their business overseas, but this has by no means been true of other developed countries. Until now, that is, when sluggish economic growth at home coupled with a growing wish to diversify risks on an international basis have pushed previously insular companies from countries like the U.S., Japan, or Germany into taking an aggressive posture in new markets.

Competition has been further increased by nationalism—which has shut off a number of developing markets completely and helped to encourage the introduction of brand new capacity, such as the markets currently being planned in the U.S. The growing power of the consumer has also left a mark, by squeezing the returns on personal business in a number of markets.

Meanwhile the pool of available world insurance business is flowing into new shapes. For instance, motor business, traditionally the bread and butter

for many companies, is not what it used to be. In the U.S. it accounted for two-fifths of premiums written in 1972 but only a third in 1978. Elsewhere an increasing proportion of the bigger risks are being self-insured or placed offshore with captive companies, leaving the established companies to squabble over the least stable part of the premium. In the elegant phrase of one big company, "we are being pushed up the risk spectrum."

On top of all this comes the explosive growth of the international reinsurance business. This has enabled insurance companies to take on a range of risks that their capital would otherwise have been too small to support. It has made it much easier for companies to gain access to overseas markets; it has depressed premium rates generally by bringing new capacity into the market. Many life companies have been putting new capital into reinsurance, while some captive insurance companies—like the

Bermudian subsidiary of Armaco Steel—have developed into a major force in the market place.

Reinsurance helps to delay the day of judgment, in that it makes it possible for insurance companies to withstand big claims that would otherwise have forced them to put up rates or go out of business. This is why Hurricane Frederick and all the other U.S. catastrophes this year appear to have had so little impact on the market so far.

Strong

It is also one reason why a strong capital base is becoming of ever-increasing importance to insurance companies. There are several others. General liability is becoming an increasingly important class of business. Including medical malpractice, it accounted for 11.2 per cent of total property/accident premium volume in the U.S. last year, up from 8.4 per cent in 1975. Excluding the medical business, U.S. general

liability premiums totalled \$7.5bn in 1978 and would have been a lot higher if the soaring cost of risks like product liability had not led to higher self-insurance and a move to offshore captives.

The growth of this class of business is not confined to the U.S., as the rising number of court awards for personal injury around the world bears witness. One of the key features of general liability is that it can take years for a claim to be recognised let alone settled. That means bigger reserves are required than would be necessary for writing, say, a motor risk.

A rising rate of inflation also requires reserves to be boosted, for obvious reasons. Stockbrokers Rowe and Pitman calculate that between 1970 and 1975 the provision for outstanding claims by the seven major UK insurance companies rose from 67 to 82 per cent; it has since levelled off at 83 per cent. These reserves can now exercise a major gearing effect on reported profit. For the UK majors they currently amount to £3.9bn, so if for the sake of argument there were to occur an error of just 1 per cent in the aggregate calculation there would be noticeable repercussions for a sector which paid net dividends of £120m last year. A strong equity base is essential to support such big numbers.

The trouble is that although insurers have compelling reasons for wanting to bolster their capital base, the case for putting up new money is much less so. Stockbrokers L. Messel and Co. have calculated that between 1970 and 1978 the UK majors paid out total dividends of £664m—and raised £490m of new capital by rights issues or

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what might be called pseudo rights issues (bids for investment trusts and the like). That left a balance of £174m, of which one company—the Royal—accounted for over £100m.

This is why the share prices of the UK insurance companies have performed so dismally in recent years. But at least they have now got their balance sheets into shape. In the U.S., by contrast, there have been no major equity issues in recent years—and it shows. Solvency margins are lower than used to be thought acceptable and loss reserves stand at around twice the policyholders' surplus, almost double the ratio at the beginning of the decade.

Paradoxically, this is one of the main supports for those who argue there is not going to be anything untoward about the present underwriting cycle. The fact is that the U.S. companies are in no shape for a really serious slugging match.

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INSURANCE II

World Competition

New forces at work

WHENEVER ANY two or three underwriters are gathered together the chances these days are that moans about "excessive competition" in some market or other will come into the conversation. Just now there are some small signs of relief in a few classes of insurance in the adverse "competitive" conditions of which the professionals complain. International marine and aviation reinsurance, for example, are current candidates for some improvement. But given the way the economic world wags in the last quarter of this century, it seems improbable that the competition issue can be completely resolved in the foreseeable future.

Underwriters and brokers indeed often suspect that, crashing through the historic indemnity principle, some of their commercial clients look for an actual or imagined profit over a period from their insurances. Anyway, if the sums, whether carefully calculated by a business insurance buyer or just the gut feeling of the rest of us as private policyholders, do not seem to add up — would-be insureds vote with their feet and if possible look for another more "reasonable" insurer. This introduces only one of the new competition factors on to the world insurance scene.

The international policyowning community gets confused, however, when it hears senior people closely involved with insurance speaking with distinctly forked tongues about competition. On the one hand, an increasing number of governments must reflect their constituents' concern over prices, the protection of consumers' interests and the "big business" profitability issue, by demanding that insurance

business, are now affecting established underwriting capacity in the older insurance centres in a complex variety of ways. The most familiar source of new competitive intervention is obviously new national or regional markets, many built up under government or inter-governmental sponsorship. Most of these are aimed at increasing local or regional retentions in the interest of husbanding hard currency reserves, building up local insurers or simply satisfying national political aspirations regardless of the longer term cost to the country or region.

Many of these, mainly Third World, capacities have yet to get off the ground or make any real impact in the international market. Established underwriters are bound to be concerned that if and when such new industries take off, they will be in a strong position to keep the good business and only show the bad to the outside world, in the form of highly controlled reinsurance cessions seeking reinsurance prices. The Bermuda captive industry, increasingly entering into third-party insurance and reinsurance business unrelated to the risks of captives owners, is another example of actively sponsored and partly protected "new market" competition. So, in many people's eyes, is the

New York Insurance Exchange proposal. Insurance professionals outside the European Community often suggest that the eventual EEC "home market" could develop into a market which will be largely protected from outside participation while being able to push into other world centres in an aggressively competitive way. The older markets' response to the emergence of the more sophisticated new insurance centres has lately been, "If you can't beat 'em, join 'em." Even UK brokers and underwriters, accustomed to deriving a substantial proportion of their business from North America, are establishing new footholds with subsidiaries or joint ventures in the U.S. surplus lines and special risks markets. And various forms of participation in the New York Insurance Exchange.

German, French, Dutch, Japanese and Scandinavian companies have been busily doing very much the same kind of thing in the U.S. markets themselves, and in the newer centres of liberal regulation (and tax advantages), such as Bermuda, the Caymans and, for reinsurance purposes, Panama. Established foreign market companies, insurers and brokers, now set up Bermuda underwriting and management entities not only on behalf of industrial and commercial "rich carriers" but as independent concerns reinsuring captives or writing business largely on behalf of their professional insurance parents. London has attracted a procession of underwriting subsidiaries from most of the other world centres.

Onlooker

This is where the bafflement of the outside onlooker comes in. Precisely what did the outgoing chairman of Lloyd's, Mr Ian Findlay, really mean when he said last year that Lloyd's would not object to the forthcoming New York Insurance Exchange, if it turned out to compete "fairly and openly" for business which until now has increasingly leaked away to London and other overseas markets? More recently a leading U.S. underwriter took the view that New York would either compete aggressively for Lloyd's business and achieve success—still modest in the early underwriting years—or it would not compete, and fail.

Unusual levels of competition between countries or, in the immediate future, groups of countries, and within national markets or specific lines of

Underwriting

Heavy pressure on rates

UNDERWRITING RESULTS

move in cyclical fashion. Initially the insurer charges a premium and makes an underwriting profit. Then the competition ensures that premium rates are cut, or are not raised sufficiently to cover inflation. Losses then occur and corrective action is taken. Premiums are restored to profitability and the cycle starts again.

year. 1981 could overall be as bad as 1980, but with the trough of the cycle occurring early in the year and the second half showing an improvement heralding the upturn of the next cycle. In Britain insurers have had problems with personal insurance. Lines for the past few years. Private motor insurance has had underwriting difficulties since the early 1970s—making, with only minor exceptions, consistent losses. There has been no problem getting rate increases, even when approval of the Department of Trade was required, under price control. But insurers until recently underestimated the rates of inflation, while severe competition acted as a brake on premium increases.

Changed

Premium growth in the U.S. this year is not likely to advance by more than 7 to 8 per cent, even though inflation is now running at an annual rate of 12 per cent. Although there is a strong element of index-linking in sums insured—and thus in premiums—for property and liability insurance, severe competition and rate regulations are holding back premium growth. Premium rate increases in personal lines have to be approved by the State Insurance Commissioner and there have been very few rate increases this year simply because 1978 was profitable.

On household accounts insurance, companies have finally broken with tradition and put up their premium rates for both the buildings and the contents. The basic premium rates, set in the early 1920s were 12 1/2 per cent for buildings and 25 per cent for contents (originally 2/6d and 5/- in pre-decimal currency). All other rates stemmed from these basic rates. Now almost all insurance companies have changed the basic rate for contents, underwriting on a geographical basis and two companies, General Accident and Eagle Star have had the move to alter building rates.

Sensitive

The motor account is the first insurance line to deteriorate in adverse conditions. The rates tend to be politically sensitive and there are few rate increases made this year or even in the pipeline. The commercial multiperil experienced severe losses from the severe winter, although the underlying trend is still profitable. The index-linking of sums insured helps this account. Commercial liability is a volatile insurance line that is at the mercy of social inflation—the rate of increase of court awards for damages. Workers compensation is the account which is getting rate increases at present and where the number of claims is under control.

Looking abroad, the situation in Canada is difficult to predict. The Anti-Inflation Board has left its shadow over the scene and rates are still being held down artificially by some companies. Poor results are expected this year and in 1980, but an improvement in 1981. Australia presents a grim picture, with severe competition keeping rates very low. It is only the absence of any natural disasters that have kept losses within reasonable proportions. A repeat of 1974, with its Brisbane floods at the beginning of the year and the Darwin cyclone at the end, would send losses soaring. Underwriting in Europe is patchy and hamstrung by authoritarian controls. But the situation in Holland, after many years of severe losses, looks much brighter, having had the benefit recently of rate increases.

Should you base the rest of your life on the past seven years?

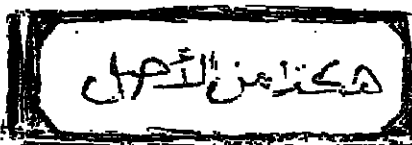
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هكنا من التصل

Eric Short



Reinsurance

Market sees dangers ahead

LEADING INTERNATIONAL insurance specialists are alarmed at the conditions now prevailing in world-wide reinsurance markets. They are concerned about the pricing policies, profitability and financial stability of numerous reinsurance groups now operating. Some insurers have predicted that there could be a series of reinsurance collapses in the near future.

If that were to happen the consequences for insurance concerns would be serious as reinsurance can often prove to be their bedrock.

Reinsurance can assume all or part of a risk undertaken originally by another insurer. It provides the insurer with capacity which enables him to underwrite a larger amount of business than he could otherwise have written. It protects insurers against the accumulation of losses arising out of catastrophes, either from a big individual loss or from a series of small claims from a fire or hurricane.

The use of reinsurance spreads the financial burden on reserves attending the growth of premium income; and it

generally reduces an insurer's net liability to amounts considered appropriate to the insurer's financial resources. Reinsurance premiums outside the Comcon countries, and excluding life assurance, now amount to \$28bn against direct insurance premiums of \$180bn.

In the last 14 years reinsurance markets have become progressively more competitive. Until Hurricanes Frederic and David this year, which are expected to produce insured losses of \$1.5bn, about three times the losses caused by Hurricane Betsy, there had not been a major international series of catastrophe losses since 1965, the year of Betsy.

Although certain large losses have hit the market since then, these have not been enough to deter any of the reinsurers' groups continuing to develop their markets. The absence of a huge series of claims has encouraged domestic insurers to look outside their own markets, which were becoming competitive, to enter new ones, develop new business lines, and organise new capabilities such as reinsurance operations.

Reinsurers received a boost in 1974 and 1975. Inflation and the over-investment of U.S.

insurers in equities, the values of which collapsed with the onset of recession, hit the reserves of the insurance groups. The U.S. was swamped with recession-inspired losses such as arson, which rose to a much greater frequency than anyone had anticipated.

Surplus lines business, or that business which is hard to place, found its way out of the U.S. market, which was facing huge liabilities on contracting reserves, into Lloyd's and other reinsurance concerns. During that period many overseas reinsurers managed to establish a significant presence in the U.S. as the demand for reinsurance outstripped supply.

According to Conning and Co., U.S. reinsurance volume expressed in net reinsurance premium ran at slightly more than \$7bn for 1977. It is estimated that 39 per cent was written by professional American reinsurers, 11 per cent by professional foreign reinsurers, 24 per cent by reinsurance departments of primary companies, and 26 per cent by non-admitted (i.e., not licensed to transact business in the State where the insured risk is

located) foreign reinsurers. By premium volume professional American reinsurers have written an estimated \$3.9bn, professional foreign reinsurers \$800m, reinsurance departments of primary companies \$1.6bn and unlicensed foreign reinsurers \$1.9bn.

Gradually

The U.S. reinsurance market has been gradually increasing in percentage terms its share of the total U.S. insurance market. In 1965 total net premiums written amounted to \$20.1bn; estimated reinsurance net premiums written were \$1.5bn, representing 7.5 per cent. By 1977 total net premiums written amounted to \$72.7bn while reinsurance net premiums came to \$7.2bn, representing 9.9 per cent.

The U.S. reinsurance market has been growing more rapidly than the primary market, but at the same time the foreign share of U.S. reinsurance business has been declining—from 51.0m or 34 per cent of all U.S. reinsurance in 1965 to an estimated 28 per cent or \$1.8bn in 1977.

The U.S. mutual life assurance companies were no

slouches at exploiting the local reinsurance market. Prudential Re, part of the Prudential Insurance Company of America, has pushed itself from \$51.5m net premiums written in 1973 to \$231m in 1977. It showed spectacular growth during the period when poor underwriting results emerged in the U.S. in 1974, 1975 and 1976. Between 1974 and 1975 net premiums climbed 63 per cent, and between 1975 and 1976 52 per cent.

But in 1977 growth had slowed to 29 per cent. With stock markets recovering during that period there was a growing tendency for insurers with improved capital bases to retain more of their premiums rather than lay off their risks in reinsurance.

Other U.S. life companies have followed suit. In the UK the largest reinsurance group, Mercantile and General, was bought by Prudential Corporation in 1968. Legal and General has its own reinsurance arm, Victory and Norwich Union, which has embarked on a joint venture with the Winterthur Insurance Company of Switzerland.

Reinsurance appeals to the life majors because it can maximise the use of their assets

—as investments generating dividends, rent or interest and also as backing for insurance premiums which produce further investment income, capital gains and sometimes underwriting profits.

Moreover, with the reinsurance companies' natural bias for risks with long pay-out periods and catastrophe risks, reserves can be built up producing income over a long-term period.

The unease that now exists among established reinsurers is well-founded. There is a large amount of "innocent capacity" operating in world reinsurance markets. The phrase "innocent capacity" describes those new brokers and underwriters who have emerged in the 14 years since Hurricane Betsy. A high proportion of reinsurance executives have never experienced the effects of a really major international loss, particularly on their own account.

The inexperienced underwriters are playing an increasing role in international reinsurance and they are serviced by similarly inexperienced brokers.

Reinsurance markets are currently dominated by a worldwide weakness in premium rates caused by the excess of reinsurance capacity; the ability of brokers and the ceding companies to take maximum advantage of present market conditions; a shortage of professional reinsurers with a wide expertise and experience of the problems of funding for large losses; and high interest rates which are stimulating a tendency to underwrite merely for cash flow purposes.

"Cash flow" underwriting appeals to those concerns who wish to maximise return on

capital. To do this they can take on more hazardous third party liability exposures, where claim settlements might be delayed for many years. This could materially increase investment income and return on capital.

If the cash flow theory of underwriting is followed and competition increases it could lead to reinsurance business being underwritten at marginal or unbound rates so as to increase investment income. Underwriting losses could wipe out any profit made from investment income.

In these markets the security of many reinsurers is open to question. Even some of the more established reinsurers are under-capitalised, overtrading and underwriting at a loss. Not only is assessment of reinsurance group underlying security difficult; identifying where the risks are insured in the market is becoming impossible.

Many risks are co-insured, reinsured, occasionally the subject of reciprocal exchanges, retroceded, retroceded and at each stage may well have catastrophe protection added. One weak link in the chain could impose strains on even the soundest reinsurance group.

Although there have been rumblings that the catastrophes of the past year may have started to shake out the market, there is little real evidence that the more amateurish competition has withdrawn. An unusually serious wave of losses will be needed to bring order into the market, but at that stage the underlying financial supports of the market may be so weakened that the consequence could be dire.

John Moore

Government Intervention

Area of growing involvement

DESPITE RENEWED talk in London and elsewhere this year of international action on government intervention in insurance, it is a fair guess that the world's insurance professionals will have to go on learning to live with variable amounts of public involvement in the business in the foreseeable future. As was the case almost 25 years ago, the suggested forum for such world action against State restrictions on international insurance flows is the GATT, as part of that body's attack on barriers to invisible or service trade—possibly, in the early stages, the OECD.

To invoke the OECD as a possible action group against international insurance discrimination and restrictions is significant. In a rapidly changing climate of public sector involvement in the insurance business, it is by no means only the newer Third World countries which are "guilty" of contributing to the obstruction of the free flow of underwriting business between markets and the distortion of reasonable competition between them.

International insurance law experts now believe that the post-war era of straightforward nationalisation of insurance or establishment of new state insurance and reinsurance monopolies may be over, if only because there are now relatively few markets left that could credibly be taken wholly or partly under government control.

Some Third World national insurance corporations have become efficient organisations run on sound underwriting and financial principles, but many were formed hastily as a rather crude response to the same national aspirations which prompted new nations to acquire a state airline or TV network as soon as possible after political or economic independence was secured. It is likely that a number of Third World governments have since regretted going it alone on insurance and excluding foreign insurers from their territories. Rising underwriting and claims costs in an under-capitalised industry is not the happiest combination for a developing insurance market.

Reaffirm

On nationalisation and direct State intervention, it can be noted in passing that only two weeks ago a working party of the British Labour Party decided to reaffirm the party's intention when returned to power, of taking the leading composite insurers and life offices under public ownership. This was despite fierce opposition from the trade union movement, the party's main supporters, and the fact that leader James Callaghan last year described the proposals as an "electoral albatross" and not part of the Parliamentary Labour Party's programme.

The trend is of course sometimes in the other direction, but usually under still close government supervision and in any case mostly in some of the quieter corners of the world insurance community. In the past year or two the international market has observed with interested anticipation the de-nationalisation of the Korean Reinsurance Corporation, started as a State company; the de-monopolisation (though not sell-off) of the Insurance Corporation of Sri Lanka, with approval for that Corporation and local and foreign private insurers to establish operating companies in both the domestic market and on a free-zone basis; and Egypt, whose industry has been fully nationalised since 1959, opening its doors to foreign private insurers, again on both free zone and domestic market bases.

Insurance professionals in the older established markets, however, believe that most of the future restrictions on their international business will be through partial intervention by governments and intergovern-

mental bodies and, even more, by indirect government and public authority action which has a marked if sometimes unintended effect on insurance transactions both within national markets and across frontiers.

The most recent example of the ending of an indirect action affecting insurers was the abolition last month, after 40 years, of UK exchange controls. On the face of it this will make the movement and management of UK-owned reinsurance funds, insurance deposits and investments abroad easier, although continuing controls elsewhere will still inhibit the rapid movement of earned balances out of one foreign country to effect reinsurance settlements in another.

Indirect

Other indirect restrictions—indirect in the sense that they may not be applied directly or specifically to the insurance business alone—are discriminatory taxes against foreign enterprises operating in a country; local investment direction; and control of remittances of profit, locally earned dividend or local established solvency in excess of requirements.

There are, however, enough variations in specific insurance supervisory controls from territory to territory around the world to keep international insurance promoters and their legal advisers guessing hard and running fast for many years to come. Basic controls by governments are almost universally accepted as essential for the maintenance of orderly national insurance markets and the protection of domestic policyholders' rights and interests. Licensing or authorisation of underwriters, minimum solvency margins and public accountability of companies are recognised as standard practice.

But when supervision extends into the direction of investment over and above solvency and deposit requirements; or into prior approval by the supervisors of premium rates, terms and conditions over broad classes of business, particularly with discriminatory penalties against non-resident insurers, foreign underwriters predictably become restless.

A second large and growing category of discriminatory State intervention has the closely related aims of limiting the drain of a country's foreign exchange reserves and increasing domestic retention of premium to help the growth of the local insurance industry and capital market. This objective is usually secured by restrictions on national insurers insuring their risks abroad and on local insurers ceding business to overseas reinsurers; a requirement that local direct companies cede all or part of their reinsurance to a central state corporation or retrocede it back into the domestic market; and/or a requirement that all outward reinsurance arrangements be notified to and sanctioned by the supervisory authority.

Two years ago, international reinsurers hoped that the Argentine State reinsurer INDER, one of the first of the Latin American government reinsurance institutes, would be deprived of its 30-year-old reinsurance rights by the new military government. Instead it was merely transformed from a direct State agency into an autonomous public corporation.

Meanwhile both Australia and New Zealand are contemplating proposals to restrict or control insurance and reinsurance with overseas underwriters, for similar balance of payments reasons. Australia's latest Insurance Act Companies Act provides for such restriction, but the relevant clause has yet to be enforced and the government, it is known last year that, if introduced, the control would be applied with a very light hand.

J. J. Pryor

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INSURANCE IV

Lloyd's of London

'Club' management under review

WHEN Sir Henry Fisher's working party completes its study of self-regulation at Lloyd's of London—possibly by the end of March next year—the ruling committee of Lloyd's will have to consider a series of recommendations which, if implemented, may lead to some of the most extensive reforms that this insurance market has ever seen.

In an address last week in London, Mr. Ian Findlay, chairman of Lloyd's, told representatives from the UK insurance industry that the powers of the 16-strong ruling Lloyd's committee "may possibly now not be sufficient". He added: "I need not elaborate on any of the current issues before us at present stirring the Lloyd's market. Suffice it to say that the traditional self-regulatory processes that have kept Lloyd's in equilibrium in the past have been brought into question. We have seen fit to ask Sir Henry Fisher to inquire into our process of government and to see whether the powers of the committee need to be strengthened."

What would emerge would be Lloyd's systems and powers "made relevant to present day conditions rather than a root and branch reform," he said, and concluded: "I cannot really believe that the time has come when Lloyd's as a society of underwriters and as an insurance market needs a governing body equipped with and ready to use ever more draconian powers in the maintenance of law and order."

Mr. Findlay warned that "if it ever really came to the point where the people at Lloyd's had to be dragged, policed and watched at every turn, if it really came to the point where one expected good faith, honesty and decency to be the exception rather than the rule, then one might well wonder whether it was worth carrying on at all."

Shared

This belief is widely shared by others in the Lloyd's market, particularly by those that believe Lloyd's is a unique survival of an age of rugged individualism which has long since disappeared from the City and is fast vanishing from the commercial world in general.

In support of the traditional freedoms of the Lloyd's market they point to the growth of the institution—from small beginnings in a 17th century coffee house to one of the most important insurance organisations in the world, with an annual premium income of over £2bn.

This, they argue, has been achieved as a direct result of the willingness of the market to embrace innovation, providing insurance cover to match ever-changing needs and technological advance. At one time Lloyd's was concerned exclusively with the insurance of ships and their cargoes, but now it has the reputation of being a market in which any risk can be covered from a space satellite to the family car.

These developments have been fostered in an environment which has given much encouragement to the entrepreneur and private enterprise. And the individual freedom of the working members of the community has been respected by the ruling bodies.

To understand why, it is important to remember that Lloyd's is a market and not a company. It has no shareholders and the role of the Committee and Corporation of Lloyd's (the latter organises the market) is largely administrative, taking no share of the profits. It is the 17,278 underwriting membership of Lloyd's who back the risks, receive the profits and bear the losses.

The large private underwriting membership lend their names and their capital to one or more of several underwriting syndicates, each of which accepts insurances on the syndicate's behalf. An individual member is credited with his small proportion of the premiums and is liable to pay a corresponding proportion of any claim. The member's liability is limited to what is done in his name.

Since a syndicate is not a partnership he is not liable for what is done in the name of any other person. But his own liability for the share of the risk accepted on his syndicate's behalf is unlimited and he must answer for it to the full extent of his personal wealth. Moreover, though Lloyd's syndicates as a whole may show a profit in any given year, an underwriting member's syndicate may have been unlucky or unskillfully conducted so that he ends up with a loss.

Only about a quarter of the 17,278 membership actually works in the Lloyd's market, handling the affairs of the vast sleeping membership which, like shareholders in public companies, provides the capital

for the market to function. Because of the size of the commitment required by individual members joining Lloyd's—usually, means of at least £100,000 must be shown—the relationship between a non-working member of Lloyd's and his underwriting agent, the Lloyd's professional who manages the member's affairs for him, must enjoy a high degree of trust.

When the Lloyd's market was much smaller it was relatively easy for the underwriting agent to establish regular contact with the members whose affairs he managed. In fact the close relationships which most components of the market forged with each other gave Lloyd's its club-like image.

Widen

This has changed in recent years, particularly since the mid-sixties. Then, a period of unprofitable underwriting, mainly the result of Hurricane Betsy, led to a fall in new membership just at a time when new underwriting capacity was needed. Lloyd's studied the problem and decided to widen its membership.

Overseas membership was introduced in 1969 and women were first admitted in 1970. Latest figures show that there are 1,850 overseas citizens and 3,124 women among the 17,278 membership at January 1, 1979.

Between 1976 and 1979 the membership has doubled and next year it could stand at over 18,500. This huge increase in membership has come at a time when there is already too much insurance capital, or capacity, seeking business volumes which have not grown at the same rate. At the same time the expansion of membership has placed strains on the management organisations of the agents which manage the members' affairs.

Lloyd's business volumes have been hit by protective legislation in emerging countries, the generally adverse economic situation, the recession in the shipping industry and the emergence of other markets. European insurance companies have expanded into overseas markets; captive insurance companies have been formed by large multinational companies; and a New York answer to Lloyd's—the New York Insurance Exchange—is just starting up.

Results for the next year or so are expected to be poor or at best mediocre. Hurricanes Frederic and David could produce total insurance claims worldwide of \$1.5bn and will leave their mark on Lloyd's. Computer leasing insurance claims—the largest catastrophe outside natural disasters that Lloyd's has ever faced—could produce losses of \$225m for Lloyd's membership.

There are controversies surrounding some of the largest insurance brokers in the Lloyd's community as well as working underwriters.

Lloyd's argues that the controversies are a reflection of the competitive conditions in which

PREMIUM INCOME RESULTS

(Total results and membership statistics)

	Premiums £m	Underwriting profit £m	Ultimate profit (after other credits) £m	Membership
1950	178.3	17.87	13.09	2,743
1951	195.6	22.11	18.40	2,913
1952	217.7	24.94	21.73	3,157
1953	226.3	31.49	24.89	3,399
1954	231.6	22.23	15.88	3,618
1955	232.4	17.84	12.82	3,917
1956	251.0	8.78	5.66	4,177
1957	276.4	12.00	9.70	4,286
1958	301.5	17.49	14.14	4,499
1959	319.9	25.86	22.27	4,669
1960	342.5	32.35	29.90	4,808
1961	346.1	26.91	24.47	4,937
1962	358.3	22.50	17.79	5,126
1963	369.1	10.49	5.47	5,312
1964	389.1	4.41	0.59	5,544
1965	461.4	(40.24)	(37.86)	5,828
1966	531.3	(16.44)	(18.57)	6,062
1967	601.7	(3.25)	(1.63)	6,079
1968	668.2	23.42	25.59	6,059
1969	693.7	24.98	32.10	6,042
1970	786.8	53.89	64.97	5,999
1971	871.3	76.13	77.43	6,020
1972	957.4	77.94	91.99	6,287
1973	1,190.9	61.97	109.67	7,105
1974	1,538.9	22.63	81.60	7,562
1975	1,582.0	86.43	135.16	7,666
1976	1,703.2	96.50	122.76	8,565
1977				10,730
1978				14,091
1979				17,278

* Credits include net interest from investment of underwriting funds, and other credits from the appreciation of invested premium, plus exchange gains. Debits include management expenses, investment depreciation, currency losses, subscriptions and other levies.

the market is operating. In order to secure business both brokers and underwriters are sometimes neglecting traditional commercial prudence and occasionally circumventing accepted market procedures.

But the wider membership is becoming increasingly concerned that its committed capital may be put at risk in an unacceptable and untoward fashion. While all are prepared to pay up on valid insurance claims, they are less likely to be prepared to pay up on a series of claims which may have arisen because of a breach in Lloyd's accepted procedures and

inadequate policing of the Lloyd's market. This type of problem has caused strains in the market in the last year, particularly in the Sasse affair.

This is why there is likely to be continuing pressure on Lloyd's to modernise and formalise its self-regulatory mechanisms. Some of the rules will have to be further backed by the force of law; but if the majority of the market is operating under the community's accepted principles this should have little bearing on its freedom of enterprise.

John Moore

European Community

Much debate but little advance

EVEN THE most steadfast enthusiasts for the concept of an unrestricted insurance market in the European Community must now find it hard to see how the essential legal and technical environment for such a market can be put into place before the latter part of the 1980s or so there has been more debate at expert and professional level in Brussels and other EEC capitals on topics bearing on the ultimate goal than at any time since the insurance common market idea was first thought of 20 years ago. But real progress towards a genuine multi-country "home market" for the unrestricted conduct of all types of insurance business right across the Community seems as elusive as ever.

Several new insurance-related items have been put on the table in Brussels this year. These have ranged from EEC relations with the closely linked Swiss insurance industry — which will produce an agreement on Swiss insurers' rights of establishment in the Community by the end of the year—

to the more esoteric consideration of legal expenses covers and product liability. These have perhaps diverted some attention from the fundamental problems of harmonisation in the fields of company establishment, freedom of insurance services and, more especially, choice of law for insurance contracts which remain to be tackled.

Insurance industry leaders around the Community have learned to live with painfully slow progress on a global Community policy for insurance. Ordinarily the small's pace approach could be seen as a positive advantage. So long as the EEC system requires that regulations, once finalised, shall not be reversed, it is incumbent on Commission draftsmen and everyone else involved in their development to see that they get the rules right. In an industry as complex as insurance the need to avoid false starts and conflicts in new directives is particularly important in relation to national companies' commitments to markets outside the Community

and varying dependence on them for business.

In the present state of the Community, however, the lack of real progress on insurance must be regarded in Brussels as particularly discouraging. Insurance harmonisation is in danger of falling victim to the present wave of irritation with the Commission's efforts to reassert the primacy of EEC rule-making and concerted action over national regulation and bilateral agreements. This impatience with what is seen as Brussels' legalistic, bureaucratic and often muddled approach to the practicalities of Community development has been shown particularly by the British, who happen to control Europe's most flexible and internationally active insurance market, if not its largest in premium volume terms.

In recent months the issue of harmonisation of the law of insurance contracts, and especially the choice of national law for drafting such contracts and resolving disputes, has emerged as a major sticking point on the

CONTINUED ON NEXT PAGE

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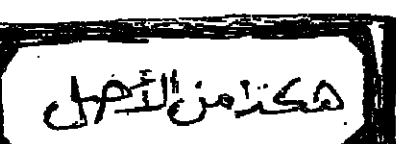
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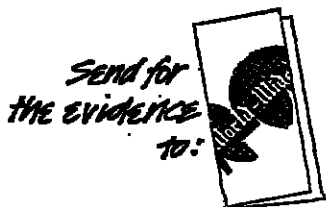
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THE U.S. insurance industry may well look back on 1979 as one of its most eventful years, with record catastrophe losses on the one hand and regulatory breakthroughs like the establishment of the New York Insurance Exchange on the other.

The big losses were caused mainly by Hurricanes David and Frederic, which smashed their way through large parts of the southern and eastern U.S. in late summer. Although David got the most publicity because of the havoc it wrought in the Caribbean, it was Frederic which caused the most damage in the U.S. The total insured losses turned out to be \$752m, surpassing the previous record of \$715m set by Hurricane Betsy back in 1965—though in real terms of course Betsy must still be rated the leader.

These losses came at an awkward time for the U.S. insurance industry which is entering one of its periodic downturns. Although most of the large companies managed to keep their heads above water, several reported sharply reduced third quarter profits. Contin-

ental Group, for instance, suffered losses of \$22.5m, and Aetna, the country's largest property damage company, lost \$36.2m, of which \$23m was directly attributable to David and Frederic.

Fortunately, though, the third quarter coincided with a surge in stock prices which took the Dow Jones industrial average above the 900 mark, and brought the insurance industry some sizeable securities gains to offset their catastrophe losses. INA, for instance, reported securities gains of \$5.2m compared to a loss of \$11.6m in the corresponding period last year.

These results were a strong vindication of the insurance industry's claims that this downturn would not be as bad as the last one in 1974-75, precisely because companies had deployed their resources better and had stronger reserves.

Whether those claims will hold for the fourth quarter is a different matter. Only six days after the quarter opened the Federal Reserve Board introduced its new credit policy, which triggered off a sharp increase in interest rates and one of the worst dives the stock market has ever seen. There are plenty of indications that the institutions did not join the rush to get out of stocks (brokers reported that the panic was caused mainly by small investors), in which case they will have taken large paper losses. On the other hand they also had a golden opportunity to buy stocks cheaply and to lock themselves into high yield-

ing instruments, all of which should help their finances later.

Mr. Morrison Beach, chairman of the Travelers Corp., said of the fed's credit package: "One immediate effect was a sharp rise in yields on fixed income securities. We are continuing our programmes of investing the cash flow of the property damage business primarily in tax-exempt bonds, and of the life business in mortgage loans and private placement corporate bonds. The higher yields will have a favourable effect on investment income."

Holding

But while the catastrophes exaggerated the down-trend in property damage insurance, other lines of business like life and health insurance appear to be holding up. The experience at Aetna, probably America's most broadly based insurance company, is fairly indicative of the trend. Its third quarter report said that pre-tax underwriting profit on the property account in the first nine months was \$75.5m, down 45 per cent on last year. But group life, health and pension revenues were up to 25 per cent to \$4.5bn. Individual life health and pension revenues were up 5.8 per cent. As a result Aetna expects year-end figures to show on balance "satisfactory" earnings growth.

One of the problems that the insurance industry is pleased not to have to grapple with this year is intense public scrutiny of its finances. Partly because

the heat of competition in a down cycle has kept premium increases to a minimum, and partly because huge oil company profits are grabbing the headlines, insurance premiums are not the political issue they used to be. But the rising cost of such items as car repairs and medical attention are a major concern to the industry, and are expected to erode profit margins.

INA reported that its combined ratio (of losses and expenses to premiums) had risen in the first nine months from 99.8 per cent last year to 101.9 per cent this year. Although this is by no means alarming, it illustrates a trend which is expected to take the ratio up to 103 or 104 for the industry as a whole.

However, the fundamental soundness and asset strength of the insurance industry has been amply demonstrated by the flattering takeover interest from abroad. Taking over interest from weak dollar to buy into the U.S. market, several European companies have made some quite sizeable purchases this year.

Last March Nationale Nederlanden, the leading Dutch insurance company, made a successful \$350m bid for Life of Georgia, one of America's largest life insurance companies in the south west. Shortly afterwards, Allianz of West Germany waded in with a \$370m bid for Fidelity Union Life Insurance and North American Life and Casualty of Minneapolis.

Most recently, Britain's Sun Alliance spent nearly \$50m buy-

ing 9 per cent of Chubb, medium-sized insurance company best known for its property damage, marine and bonding business. Sun Alliance said it might buy more Chubb stock later, though it did not have a plan for a takeover.

Internally, too, there have been dozens of takeovers in the past two years. Most of these are quite small and result from consolidation moves by mini-companies. But some of the larger ones, like Lincoln National's \$122m bid for Security Connecticut, an Southern Pacific's \$258m bid for Tior, the country's largest life insurer, are signs of a major shake-out in the industry.

Aetna's purchase of American Reinsurance Company was an eye-catching diversification. The industry is also experimenting with new ideas, but is too soon to say how successful they will be. The much publicised New York Insurance Exchange has been delayed because of various regulator problems and failure to find premises. Meanwhile, the Star of Illinois has embarked on a similar scheme, designed to free the insurance industry from some of the regulatory shackles which have hampered its growth. If both get off the ground and are a resounding success, they could in the longer term pose something of a challenge to Lloyd's of London, traditional supremacy, though their opening business is expected to be tiny by comparison.

David Lascelles

"It is gratifying to remember that, at a time when the interests of foreign businesses are increasing in this country, more than half the Corporation's income is derived from its activities in overseas markets, with the corresponding benefit which this brings to our UK balance of payments."

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Life Offices Pensions the spearhead

UK life companies have relied on company pensions business for much of their growth over the past three decades. At the end of 1978 they had pensions funds under management estimated at least £10bn out of total funds in the ordinary branch of £31bn.

This dependence on pension scheme business has arisen from the system of providing pensions in the UK. In this country it has been employers who have provided most of the pension that their employees will receive, through the medium of a company pension scheme. The role of the State had been confined to providing a basic flat rate pension at a low level. This is in complete contrast to most other European countries where pension provision is very much a State responsibility.

But last year saw the introduction of the new State pension scheme, which, when it reaches maturity in 1983, will provide a pension related to the level of an individual's earnings and will approach the level of pension provision on the Continent.

However, this move has not—as once feared—meant the displacement of life companies from their role in providing company pension schemes. The design of the State scheme offered employers the choice of putting their employees fully into the State scheme, or contracting them out into a company scheme. In the event over 20,000 employers, double the number expected, contracted out around 12m employees—a tribute to the reputation of life companies in the pension field.

Boom

Thus 1978 was a boom year for pensions business and the life companies received their share—both from new schemes being set up and from benefits being improved on existing schemes. Total new premiums received advanced last year by 41 per cent from £617m to £872m.

But this boom is likely to be a one-off benefit to life companies. The introduction of the new scheme meant that all employers had to decide whether or not to set up a company pension scheme. Those who have gone into the State scheme are not likely to contract out at some future date. Life companies can in future expect very little new company pensions business by way of new schemes. Future growth will come from improving the benefit levels in existing schemes. Pensions are related to final earnings and new premiums will increase in line with earnings inflation as benefit levels are topped up each year.

The role of the life companies in these company pension schemes is also undergoing change. In the past the life companies did everything under what was classified as insured schemes—benefit levels carried a high level of guarantee, investments were in a common pool and the profits on those investments were used either to improve benefits or reduce the company's contribution. The employer had little or no involvement other than provide data and pay the premiums.

But over the past decade or so there has been a trend for the company, and the trustees who run the pension scheme, to

become more involved in their pension scheme. There is a need to identify the funds assets, and to have some control over the investment policy. This trend is likely to accelerate as funds grow in size and as employees and their trade unions become more involved in these schemes.

This has led to the formation of managed funds run by life companies. These are essentially unit trusts, exempt from tax, with the investment income automatically reinvested. The pension fund does its investment by buying units in the fund. There are a variety of funds available covering a wide spread of investments—UK and overseas equities, property, fixed-interest, cash and so on. The managed funds run by life companies have now reached £3bn of which Legal and General, the largest company in this field, has funds totalling £1.3bn.

With the company pension field comparatively static for new business, the life companies have turned their attention to the executive pensions field and the self-employed pensions market. Official figures are not

collected for executive pensions since many life companies aggregate this business with company pensions. But many life companies have been reporting premiums more than double for this type of business.

The market for self-employed pensions has never realised its true potential despite the fact that the self-employed only get the basic State pension on retirement, even under the new scheme. But this market is growing steadily. Annual premiums in 1978 advanced by 46 per cent to £79.5m and single premiums by 28 per cent to £71m.

The past decade has also seen a complete revolution in the use of life company products as savings media. Before then almost all savings were transacted through with-profits endowment assurances on a regular savings basis. The introduction of the unit-linked concept added a new dimension to life company savings.

The introduction of the unit-linked principle meant that the inventor was closely identified with market movements. When the market went up so

did the value of his units—and down when the market fell. Because there are no investment guarantees, the investment manager has more freedom to invest and offer a higher return than with traditional with-profits. The investor under unit-linked has greater flexibility over the timing of cashing in his investment.

Single premium bonds enable the investor to put lump sums into life contracts, getting the benefit of the favourable tax treatment of life companies and a wide spread of investment vehicles such as property and fixed interest.

Unit-linked business in 1978 accounted for one-fifth of new annual premiums and four-fifths of single premiums. The proportion of annual premium business has continued to rise in 1979. It is expected that almost all pure savings, outside that sold by agents of the home service companies, will in future be unit-linked. Most traditional life companies have now accepted the unit-linked principle and several companies in the past two years have entered fully into this field.

CONTINUED ON NEXT PAGE

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INSURANCE VII

Capital Structures

Pinning the base

EVENTS IN the mid-1970s proved to be a traumatic experience for insurance companies in both the UK and the US. Over that period two major events occurred in conjunction—rising inflation and an equity bear market, both happening on a world-wide scale.

Ahead of this period, insurance companies were in keen competition for business and it was considered that premium income was as important as sound underwriting. Investment of non-life funds was heavily orientated towards equities on the grounds that they provided a hedge against inflation. But when the crunch came, insurance companies found that their liabilities were rising rapidly with inflation and at the same time the value of the assets covering those liabilities was falling.

The aftermath of this experience was that insurance companies had to reappraise their methods of operation. They had to repair their capital base and to ensure that it would expand to meet all likely demands in the future.

The extent of the problem can be seen from a study of the trends in solvency margins of the seven major U.S. companies over the past seven years. The solvency margin is the shareholders' funds expressed as a percentage of premium income. In 1973 the average margin was 72 per cent, varying from 88 per cent for Royal Insurance to 56 per cent for Commercial Union. This was a healthy picture with no indication of the trouble ahead.

By 1974 the average margin had dropped to 58 per cent, with Royal's margin the lowest at 45 per cent and the highest being Sun Alliance with 84 per cent.

By 1977 the position had been restored somewhat with an

average margin back to 58 per cent. Sun Alliance had a margin of 78 per cent and Royal 42 per cent. The position was similar in 1978.

An insurance industry cannot operate unless it has a sound capital base that expands with the growth in business—either from inflation or from new business or from both.

The UK insurance companies first set about repairing their capital base by raising fresh equity capital. All the seven major composites—plus the two largest life companies with strong general insurance business, the Prudential and the Legal and General—raised capital this way. The Commercial Union (CU) started the ball rolling at the end of 1974 and the others followed during 1975 and 1976. CU, in fact, had two bites of the cherry with a further rights issue in 1977.

The capital base was also repaired by what has been termed pseudo rights issues—taking over an investment trust. The CU took over Estates House Investment Trust and the Pru took over Standard Trust. Under this procedure, the insurance company gets the assets of the trust, mostly equities, in exchange for its own shares. An insurance company cannot expand its capital base by raising loan capital, since this is classified as a debt. UK insurance companies since 1974 have raised £437m by way of rights issues and £96m through acquisitions. In addition, Norwich Union Fire received a £30m cash injection from its parent Norwich Union Life.

The capital structure of most U.S. insurance companies is such that their equity is held by a holding company that itself is not an insurance company. Thus the holding company can raise cash by issuing bonds and then subscribe for equity in the insurance com-

pany. Most U.S. insurance groups took this route. The leading insurance company, Aetna, raised a \$250 tranche of borrowing which was converted to equity.

Certain UK insurance groups have now reorganised themselves into non-prudential Assurance is now controlled by the Prudential Corporation and L and G and Eagle Star have also taken this route.

Exposure

The CU and Royal, with their high U.S. exposure, drastically pruned back their business in the country to cut out the unprofitable agencies. Premium growth slowed down, but the accounts returned to profitability. However, the success achieved by the seven UK composites in generating capital internally has been patchy. The annual survey of composites published by stockbrokers L. Messel shows that percentage increase in opening free reserves from retentions over the period 1976-78 varies from 54 per cent for General Accident to 23 per cent for Sun Alliance.

The Rowe and Pitman analysis of the UK composites considers that the companies have been remarkably successful in the past two years in achieving high levels of retentions. But it warns that if companies wish to retain solvency margins around 50 per cent, the industry needs to retain around 71 per cent of premium income.

The U.S. insurance groups have managed to stabilise their capital base and operations. An analysis by New York stockbrokers Conning and Company show that the ratio of premiums written to surplus (the inverse of the solvency ratio) has been improved from 2.6 in 1974 to 2.2 in 1978—a solvency margin of 45 per cent. But the com-

panies are not back to the pre-1974 level of 1.6. The ratio of loss reserve to surplus—a measure of how far a company can accept losses above those anticipated without getting into financial trouble—has held at around 1.9. A figure below 2 is regarded as acceptable.

The third corrective action taken by the insurance companies was to change their investment strategy to adopt a more conservative approach. The commitment to equity-type investment was reduced and more invested in short-term fixed-interest bonds. The experience of the UK composites shows a dramatic turnaround on the investment portfolio.

In 1973 CU had investment in equities and property amounting to 218 per cent of the free reserves. In 1978 this proportion had fallen to 87 per cent. Royal had 183 per cent in 1973 and had reduced this to 98 per cent by 1978. But some composite groups still feel able to hold more than 100 per cent in equity-type investments. Eagle Star still has 140 per cent.

Insurance companies are still holding a portion of their assets in equity-type investments, since these can still provide a hedge against inflation over the longer term. The capital appreciation is a further source of expanding the capital base. Rowe and Pitman estimate that this has grown on average by 2 per cent per annum of the premium income.

The UK insurance companies have been able to get their capital bases back to normality without hitting shareholders significantly, although dividend limitation has been a help. Dividends should increase in line with the market and at present companies have no need to make a further call on shareholders for capital.

Eric Short

Risk Management

Premium on prevention

SLOPPY THINKING and lax management have led the world to overestimate the extent to which accidents are caused by pure chance. This is the fundamental assumption of "risk management," perhaps the most fashionable concept in insurance today. Risk management is not so much a particular technique as a corporate state of mind. It is easiest to pin down by analysis. Phrases such as "accidents will happen" or "the foreman just made a mistake" or "the insurance always pays up" will never pass a risk manager's lips.

If a ship hits a reef on the open sea in broad daylight, it is clearly not good enough to say that this is an Act of God. But, for the risk manager, it is equally unsatisfactory to "explain" the accident by proving that the captain was drunk. "Why was there a man on board?" the risk manager will ask. How did a drunkard come to be captain? How are seamen appointed? How are the people responsible for appointments trained?

Risk managers spend much of their time following lengthy chains of cause and effect, explaining the inexplicable and, ultimately, apportioning blame. The U.S. Air Force, for example, has officially eliminated the con-

cept of "human error" as a possible cause of aircraft crashes. If a pilot has made a fatal mistake, it is presumed either that his training, selection and working conditions were at fault, or that fail-safe devices, safety procedures and monitoring instruments should have been incorporated in the flight design to avert any disastrous consequences should an error be made.

Purpose

The purpose of this kind of analysis is not just to find scapegoats but to devise methods of reducing the probability of disaster. Obviously the surest way of reducing risks is to stop doing anything dangerous. Indeed this is just the solution to nuclear risks that the anti-nuclear lobby is advocating all over the world.

However, for most potentially dangerous activities, such as flying, it is almost universally accepted that the benefits outweigh the dangers involved. Striking the same sort of balance between the benefits and costs of taking thousands of more mundane business risks is in fact the essence of the risk manager's job.

Insurance buying is the simplest form of risk management,

but as the insurance market becomes more sophisticated, a recognition is developing that insurance is no substitute for detailed analysis and costing of risks. For although an insurance company will assume the whole of a risk in exchange for its premium, it will usually be much more economical for the insured to accept responsibility for funding part of the risk himself. The "deductible" which is frequently written into all kinds of insurance policies gives the insurer a guarantee that the insured will take precautions against losses and allows the insured to save premiums by keeping the part of the risk which he can afford to finance from his own resources.

This rudimentary form of risk management, practised by every car driver and householder, illustrates clearly the two sides of a risk manager's role. On the one hand is "risk analysis," which ensures that all risks are accounted for and the trade-off between loss control and risk-taking is set at the appropriate level. On the other is "risk funding," the financial problem of deciding how much of its exposure to risk a company can bear itself and how much has to be funded in the insurance market.

Companies that take risk management seriously have to accord their risk managers a senior position in line management. For risk analysis is impossible without the power to issue instructions and apportion blame throughout the corporate hierarchy, while risk funding has to be integrated closely into the company's financial planning. And neither activity is of much value on its own.

Captive insurance companies have become major tools of risk management partly because they make it possible to define clearly the risk manager's responsibilities and to evaluate the benefits and costs of risk management. By creating a separate profit centre devoted to risk management, they make it easier to organise an insurance programme that relates the amount of risk retained by the parent to its financial strength. Just as important, because of their access to the reinsurance market, they force insurers to give full credit in their rating for the loss control measures that have been implemented.

Because of the intensifying competition in insurance markets, modern risk management does not stop at the point where risk is transferred to an insurance company. Insurance companies that want to retain their major industrial clients need increasingly to reflect loss control measures in their rates. The other side of this coin is

that insurance companies are increasingly being forced to provide incentives for their clients to increase the protection of their risks.

Some well-known methods of loss control such as industrial fire protection sprinkler systems are now fully reflected in insurance rates. This is hardly surprising, since the U.S. Fire Protection Association has estimated that sprinklers mitigate fire damage in 98.5 per cent of cases where they are installed. But many insurers have been slow to move down the road of reducing premiums in exchange for better protection and in some countries even realistic rebates for sprinklers were only established after a protracted struggle between insurers and their clients. The insurers' resistance stems partly from smaller premiums about losing premiums and partly from reluctance to move away from traditional rates, based on trends established over many years.

Reconsider

However, the pressure of competition, is forcing insurers to reconsider their instinctive resistance to many aspects of risk management. At a time when rates on many lines of insurance are falling to uneconomic levels, it is being recognised that the insurance of highly protected risks and the reinsurance of captives, although it generates smaller premiums than traditional industrial insurance, may well produce better profits. Insurers are also finding that, by assisting their clients in their risk management endeavours, they can retain accounts which might otherwise have gone to lower cost insurers, which do not have the same capacity to provide technical services.

In fact, some insurers believe that risk management services will be as important in enabling them to compete against low-cost rivals as is manufacturing "quality" for high-cost engineering industries in countries such as Germany and Sweden. Mr. Jim Baunister, chairman of Risk Research Group and one of London's leading risk management consultants, puts this proposition in its most striking form: "Insurers now have two main functions. The first is providing technical services related to the controlling of risks and the limitation of losses. The second, which should be more in the nature of a guarantee of the quality of the loss control service provided, is financing the losses which are not prevented." That, in a nutshell, is the philosophy of risk management.

Anatole Kaletsky

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Pensions

CONTINUED FROM PREVIOUS PAGE

Scotland's largest life company, Standard Life, launched its linked operation a couple of weeks ago.

The chief source of traditional life business now arises in connection with the repayment of house mortgages. There is a growing use of the endowment method of repaying a mortgage as an alternative to the straight repayment to a building society. Under this method the investor takes out an endowment assurance for the term of the loan and the mortgage is repaid when the endowment matures or on the prior death of the investor.

Life companies, with only a few exceptions, have withdrawn completely from the first mortgage market. But they are becoming more involved in the top-up mortgage market. The amount lent by the life companies is limited, but the whole of the mortgage has to be repaid by an endowment assurance contract. It provides a steady source of new business and since the total amount lent is limited, it enables life com-

panies to exercise some control over brokers.

The unit-linked potential in the UK seems endless, at least in the opinion of other overseas insurance groups. In the past five years overseas groups have been establishing or acquiring life subsidiaries in the UK. American General's launch of Albany Life has been a great success. The Swedish insurance conglomerate, Skandia, recently launched a UK life subsidiary with good initial success.

In the reverse direction the UK life companies are slowly expanding their business overseas. Premium income from this source in 1978 rose by 3.6 per cent to £794m. But this growth came entirely from Europe, where premiums advanced by one-third to £235m. But the marketing of life business by UK life companies outside the UK tends to be in the hands of a few major companies, such as the Prudential, the Commercial Union, Equity and Law and the other major composites with strong non-life connections overseas.

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INSURANCE VIII

Insurance Brokers

Increasing links with America

OVERCAPACITY IN world insurance markets has led to cut-throat competitive conditions and is often reducing brokerage income from commissions even when greater volumes of business are being handled. A large part of insurance brokers' revenues is derived from overseas markets and a strong pound and a weak dollar have depressed earnings when converted into sterling.

Moreover, with most costs incurred in the UK and inflation accelerating, brokers' group expenses have been rising at a faster rate than revenues.

It is just over 20 years since Minet Holdings became listed on the Stock Exchange, the first insurance broker with large Lloyd's interests to do so. With the exception of 1962, when there was a slight downturn, and a sluggish 1978, the group has shown an impressive growth record. That is until the first six months of 1979.

Last month it reported that pre-tax profits had slumped for the first half from £7.52m to £4.57m and the likelihood is that full year profits will be no more than £9.5m to £10m compared with £15.3m.

The picture is the same among other major brokers. The newly merged Sedgwick Forbes Bland Payne group, the UK's largest insurance broker, reported pre-tax profits down from £28.1m to £25.3m for the six months ending in June of this year. Willis Faber, the last UK insurance broker to go public, showed pre-tax profits down from £10.51m to £10.06m over the same period. C. T. Bowring's taxable profits fell from £19.8m to £17.9m, as did Alexander Howden's from £11.5m to £11.1m, both reporting results for the six months ending in June.

Insurance brokers have managed before to weather the kind of trading storms which are now hitting the sector without their growth being seriously affected. But the latest crop of trading problems is unusual in that so many adverse factors are coinciding.

Large claims are passing through Lloyd's brokers into the Lloyd's market which could

produce losses. The huge \$225m claim for computer leasing insurance is likely to have an impact on some insurance brokers' underwriting agencies' activities from which they derive revenues.

But the most significant factor on the trading front is the realignment that is taking place between the UK and U.S. insurance brokers. When two of the largest U.S. brokers, Frank B. Hall and Marsh and McLennan Companies bid for Leslie and Godwin and Wigham Poland of the UK respectively, they sparked off the most dramatic series of deals that international insurance brokers have ever become involved with.

Empires

For some time the Americans, particularly the large brokers, had seen only limited scope for increasing their broking empires at home in a way which would also give them wider representation abroad. They turned to UK brokers partly because of their expertise, but more important, for the comparative strength of the UK brokers' international networks, the link to future growth.

Another important consideration was uppermost in the Americans' plans. As they produced such a large amount of premium for Lloyd's and the London companies they felt they ought to have a bigger say in the London market. The other commercial argument of the U.S. brokers pointed out that they provide substantial business for Lloyd's of London brokers which is eventually placed at Lloyd's. Lloyd's, they took pains to emphasise, operates a restricted market in that all business placed with underwriters in its market has to be channelled through an approved Lloyd's broker, and the commission is shared. Since the U.S. brokers claimed much of the credit in securing the business initially for Lloyd's surely, they argued, they were entitled to a larger proportion of the commissions?

Many UK insurance brokers were not in the least dismayed by these arguments. They had realised for some years that to compete effectively for the large insurance accounts of multinational companies they had to have organisations of appropriate size to service these accounts. And to gain new business in the future as well as protect existing business in very competitive conditions, it was important for UK brokers to attempt to get closer to their clients in their principal market, the U.S., which produces more than half of the world's non-life insurance premiums.

Formalisation of a link with a top U.S. insurance broker was the ideal solution, since commercial dealings between the UK and U.S. brokers already often stretched back some years.

But Lloyd's itself complicated the arrangements. It would not allow an insurance company, an underwriting agency or a non-Lloyd's broker normally to hold more than 20 per cent of an established Lloyd's broker. The underlying motives were purely protectionist so it was not surprising that the U.S. brokers were mightily annoyed by curious statements by Lloyd's referring to the need "to ensure that all Lloyd's brokers remain genuinely independent" and the importance of establishing some control in the market.

So rather than a series of conventional mergers taking place co-ordination is planned between the business of the UK and U.S. brokers, usually through a profit pooling arrangement.

But giving a more formal character to historic links with the U.S.—which have hitherto had a much looser basis of mutual co-operation and goodwill—is still regarded of paramount importance by UK brokers, although some have chosen a more simple route.

Early this year Willis Faber announced that it was planning a series of joint ventures with its long-standing partner Johnson and Higgins of the U.S. And as a practical gesture towards becoming more involved in the U.S. market, Willis announced

TRANSATLANTIC PARTNERS

UK broker C. T. Bowring	New U.S. link Marsh and McLennan (pooling arrangement)	Old main U.S. links Alexander and Alexander, Frank B. Hall
C. E. Heath	—	Hollins Burdick Hunter, Alexander and Alexander
Hogg Robinson Group	Market Service Inc. (HRG has taken a 30 per cent stake)	R. B. Jones, now part of Alexander and Alexander, Corroon and Black
Alexander Howden	Fred. S. James (joint venture company for NY insurance exchange)	Alexander and Alexander Marsh and McLennan
Minet Holdings	Corroon and Black (pooling arrangement)	Fred. S. James, E. H. Crump, Kummett and Chandler (part of the Finchurst Group)
Sedgwick Forbes Bland Payne	Alexander and Alexander (pooling arrangement)	Marsh and McLennan, Alexander and Alexander, Frank B. Hall
Stenhouse	Continental Corporatn. (which has taken a 20 per cent stake in Stenhouse)	North American presence through its link with Canadian broker Reed Shaw Osler
Stewart Wrightson	—	Marsh and McLennan, Alexander and Alexander, Frank B. Hall
Leslie and Godwin	New part of Frank B. Hall with the Lloyd's interests controlled by Rothschild Investment Trust	Frank B. Hall, Fred. S. James
Willis Faber	Joint ventures with Johnson and Higgins	Johnson and Higgins, Gry Carpenter, a subsidiary of Marsh and McLennan
Lowndes Lambert Glanville Emhoven (a subsidiary of Charterhouse Group)	—	Frank B. Hall Corroon and Black

that with Johnson and Higgins it was planning to form a company to introduce underwriting members to the New York Insurance Exchange, group those members into syndicates and manage their affairs.

Alexander Howden and Fred S. James of the U.S. got together later to participate in the New York Insurance Exchange in the same way that Willis and Johnson had done.

Continental Corporation of the U.S. took a 20 per cent shareholding in Stenhouse Holdings of the UK. Continental Corporation is the sixth largest property and accident insurance company in the U.S. and the relationship with Stenhouse is expected to benefit the UK group. Like Howden and James and Willis and Johnson, Continental and Stenhouse announced last month that they had formed a joint management company to participate in the New York Insurance Exchange.

For the medium-sized broker the trends are ominous. The

new order that is emerging of large, powerful groups could leave little room for the medium-sized broker to thrive.

Some of these brokers are taking a more positive view. They are watching the distribution of business volumes. A broking company which is going through a massive programme of reorganisation and upheaval could lose a few dissatisfied clients and important accounts.

Already C. T. Bowring is fully stretched trying to absorb the vast flow of business that it is receiving from its link with Marsh and McLennan of the U.S.

But large accounts are being uprooted by the U.S. brokers who have formed more formal links with a UK partner from their established UK correspondents and this has all added to the gloom about trading prospects for some of the major insurance broking groups who have not forged such links.

J.M.

Liability Insurance

Scale of awards goes soaring

AFFLUENT SOCIETIES expect a lot from their goods and services. Their expectations rise in proportion to the amount of wealth they acquire. If they are not satisfied the more likely they are to get in touch with their lawyer.

On this basic truth is founded the principle of liability insurance. Liability insurance protects manufacturers, professional people such as doctors and accountants against their legal liability for omissions or acts causing bodily injury or disease to third parties or loss or damage to their property.

As real incomes have risen people have to be paid more for injuries that keep them off work. As industries and businesses become more complex it is likely that manufacturers' or accountants' errors will increase.

In the U.S., general liability which includes medical malpractice, legal malpractice and products liability, was one of the worst performing lines of insurance in the 1970s.

Rapidly widening interpretations of liability and awakening consumerism did not help. The Consumer Products Safety Act was signed into law in October 1972 and its enactment was the culmination of a study conducted by the National Commission on Products Safety.

That report in 1970 estimated that 20m Americans were injured each year as a result of incidents connected with consumer products. Of the total number of injured 110,000 were permanently disabled and another 30,000 were killed. The annual cost to the nation of product-related injuries was estimated in excess of \$5.5bn.

In that climate of awareness court awards rose dramatically, creating a loss explosion which was nearly impossible to predict or evaluate. From 1970 to 1978 general liability operated from a low combined ratio (i.e., the ratio of losses and loss expenses incurred to premiums earned, plus the ratio of expenses incurred to premiums written) of 102.6 per cent but climbed to a dizzy 124.7 per cent and averaged 112 per cent during that period.

Finally, severe premium rate increases and extremely restrictive underwriting took hold in

1977 producing the first profit since 1966 at a 96.2 per cent combined ratio.

Those at the receiving end of court awards during that period came to feel that justice based awards not on the principles of liability, but on the manufacturer's ability to compensate the injured party.

In one instance a helmet supplier was judged liable for \$5.3m after a young football player was paralysed by a neck injury during a game. It was the highest award over a sporting goods product.

The Consumer Product Safety Act gave protection against unreasonable risks of injury associated with consumer products. The underlying philosophy was that the right to safety was a traditional consumer right which would be protected by government if necessary. One of the proposed measures involved double or triple damages for injuries resulting from knowing violations of Federal standards.

Moreover, the procedure in American courts whereby lawyers share part of the plaintiff's award has created an unusually aggressive approach towards suing suppliers and manufacturers.

Huge liability awards are not confined to the U.S. As the principle of strict liability for product manufacturers became adopted—whereby the manufacturer as well as the seller is to be held liable for damages without proof of negligence if a defective product is placed on the market and causes injury—so the claims are rising elsewhere.

But some insurance specialists feel that one of the primary reasons for the dramatic escalation in the size of judgments and awards has been the sympathy of juries. The frequent absence of juries in overseas courts could be a stabilising factor for the future.

The more difficult liability claims can prove very costly. Disease caused by asbestos has prompted about 5,000 claims in the U.S. Workers who have contracted the disease through employment have brought action directly against the manufacturer of the item containing the mineral. This problem first surfaced in the late 1960s and

the first action was brought in 1967 with claims totalling in from 1974 onwards. About 500 cases are arising a month. The amounts claimed run into billions of dollars.

The liability boom is likely to mushroom for some years to come as more exotic claims are made against oil companies and steelmakers, for negligence against lawyers and architects, and for discrimination against employers. Insurance companies and insurance brokers are often sued for negligence now.

The time lag in malpractice and products liability claims can be enormous. At the end of the first year in malpractice liability there could be 80 per cent of the claims still to come. One insurer which had withdrawn from the malpractice business for over 20 years found that two new claims had just arrived. Protracted court cases after the claims have been reported can also confound assumptions.

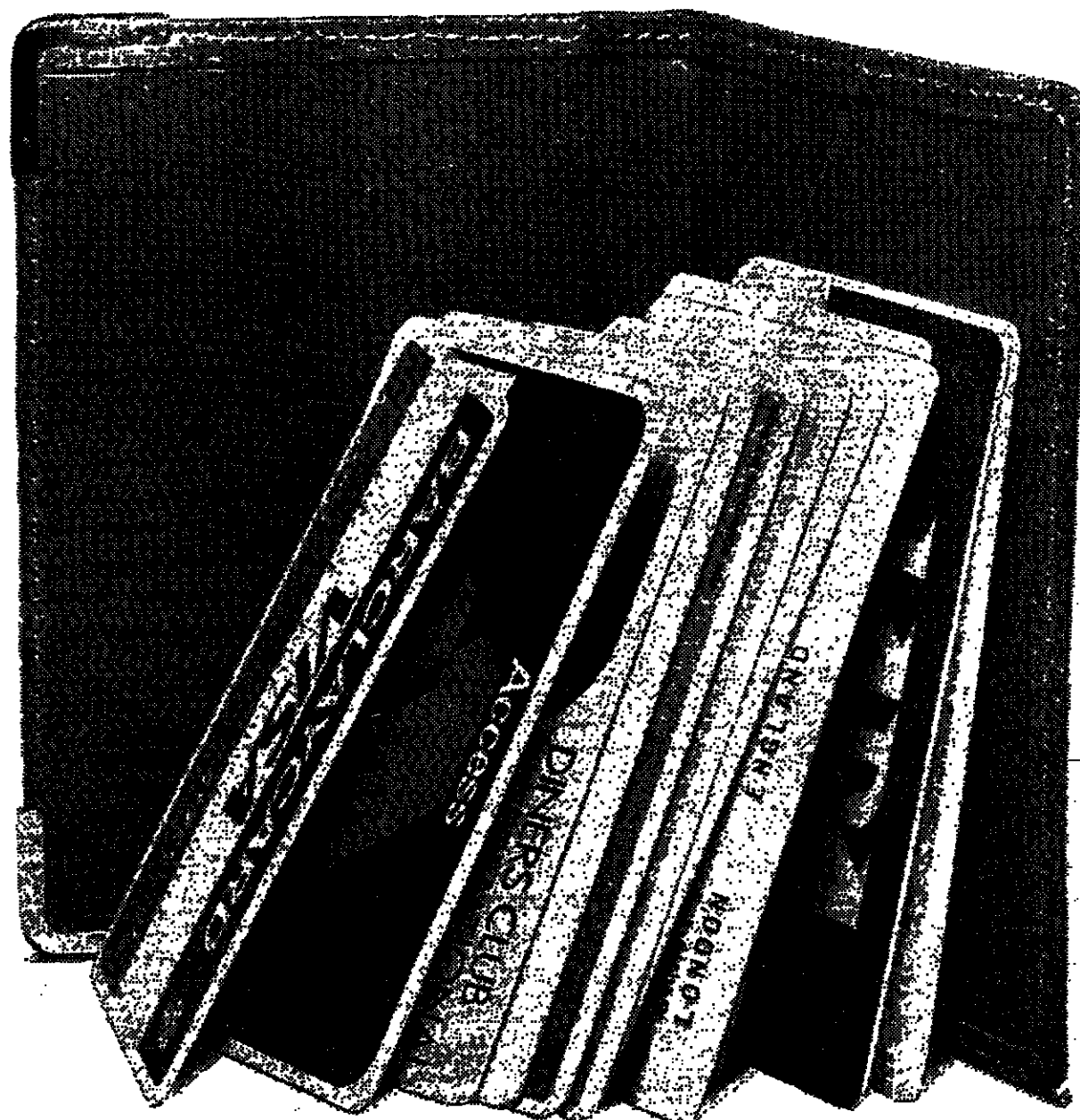
These insurers of liability business who feel that they can ride out any storm on the back of investment income from reserves could have a nasty surprise particularly if their assumptions about inflation have been incorrect.

There are worrying suggestions that the liability specialists intend to exploit the innocent capacity, or inexperienced reinsurers, for support during the lean times. As captive insurers are forced to broaden their portfolios they may take on an increasing amount of liability business.

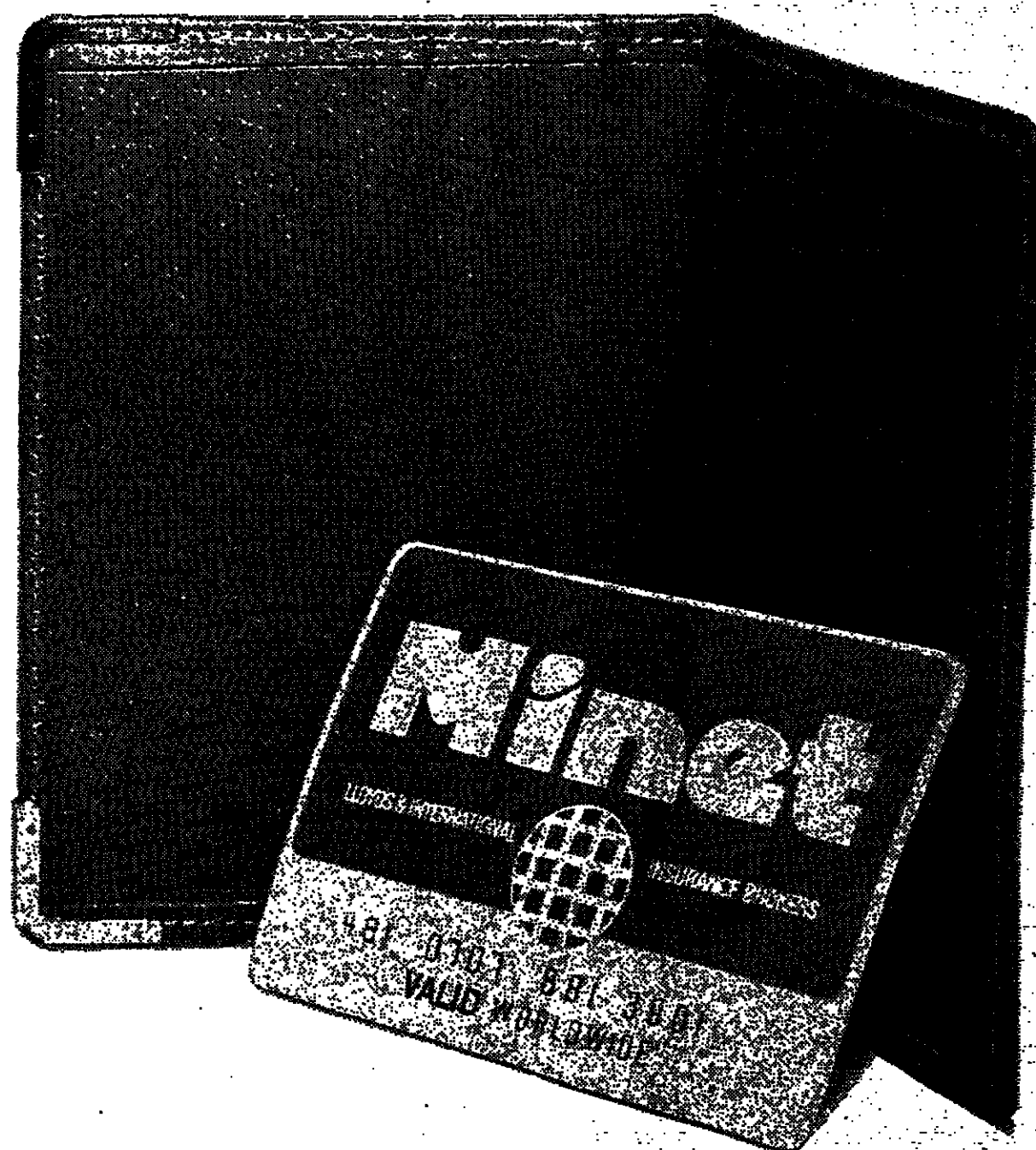
Foreign insurers, with an eye to boosting revenues in the U.S. market, may take on an increasing amount of liability business, anticipating paying future losses with less expensive American dollars.

Existing reinsurance syndicates in London and the U.S. would be willing, and then there are the new insurance exchanges which are emerging. Perhaps in an effort to get off the ground they will be willing to accept the more difficult liability coverages through reinsurance. They could come unstuck if they are not more skilled than the primary liability underwriter.

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ED 24 AND COMPANY TAXATION

The accounting revolution hots up

THAT POP on November 6 was not a late-firework. It was the starting gun, fired on this occasion by the Governor of the Bank of England. We are off, and devil take the hindmost.

The Governor was speaking that evening at Chartered Accountants' Hall to the Institute for Fiscal Studies. For that venue, and in the face of that congregation, he had chosen as his subject, "Companies, inflation and taxation."

Warning guns had been fired by Mr. Denis Healey in his April 1978 Budget, and by Sir Geoffrey Howe in June this year. But the phraseology with which the latter broached this subject gave little indication of any sense of urgency. "Looking further ahead, however, it is important that the tax system should take account of the effects of inflation on businesses, and do so in a way that is reasonable, objective, equitable and simple to administer."

"That time has come," the Governor reminded this point some. "My aim tonight is to discuss, first, the importance of appropriately adjusted company accounts for management and reporting purposes; and second, the possible implications for the taxation of business profits of this development."

taxation of business profits of this development... I believe also that it is of great importance for business to adopt accounting procedures that remove the distortions which arise in accounts when conventional accounting practices are followed in inflationary conditions for which they were not designed; and that the system of taxation should take due account of such distortions.

The Bank believes that the current cost accounting proposals, put forward in Exposure Draft 24 by the Accounting Standards Committee, are close to general acceptance. For its own part, the Bank has told the committee that its general view is that the draft should be adopted with only minor modifications. So much was probably well known before the Governor stood up. What was not so clear was the authorities' stance on tax.

Implications

The Inland Revenue, under the guidance of Lord Cockfield, has been considering closely the implications of changing the historic base of business taxation towards an inflation-adjusted base. The Bank's associated with these studies. It was clear from the Governor's remarks that the changes are much further advanced in these effects than had been generally assumed.

The Inland Revenue has indeed been leaping and bounding ahead; as we will see below, they have even been able to estimate the effects of some of their proposals upon the total yield of taxation, and how these proposals would benefit or disadvantage different sectors of the business community.

Mr. Richardson did stress that he was not producing firm conclusions, but rather "clarifying where the practical issues lie."

Some of these should create no surprise. Stock relief for instance has been a source of increasing concern to the Inland Revenue and to businesses since it was first introduced as a rapid response to the crisis in corporate liquidity. It has never differentiated volume changes from those in prices. It has also provided vast amounts of tax relief to companies which commonsense might have classed as undervaluing — those whose stocks are financed by their suppliers rather than out of their own cash resources. The Revenue appear to be welcoming warmly the prospect of a "cost of sales adjustment," which focuses on price changes and does not become entangled in volumes.

The cost of sales adjustment could be substituted for stock relief, soon and alone; it need not be part of a larger package of current cost adjustments. If this were to be the course adopted, the Inland Revenue anticipates three probable effects.

The levels of relief could fluctuate more widely from year to year than the existing stock relief, because price movements would no longer be compensated by volume changes. Second, and significantly, the relief would be distributed differently — manufacturing industry would tend to benefit at the expense of other sectors. Last, and at first glance most surprisingly, the relief could be expected to be more generous. The reason put forward is the removal of the present restriction of stock relief by 15 per cent of profits.

Although replacing stock relief with a cost of sales adjustment could be achieved without other changes in the tax base, Mr. Richardson indicated a preference for combining it with a further adjustment for monetary items. His statement of the problem posed by these is penetrating and profound. "Conventional measures of profit and loss fail to take into account the change in the real value of corporate monetary assets and liabilities as a result of inflation. A company that is a net debtor gains from inflation as its debt diminishes in real terms, and indeed, to the extent that interest includes an element of real debt repayment, a company even enjoys tax relief for the latter. The argument is thus that its taxable capacity should be increased by this real gain."

EXAMPLES OF CURRENT-COST PROFIT AND LOSS ACCOUNTS, SHOWING PROPOSED ED 24 ADJUSTMENTS. Table with columns for Turnover, Profit before interest and taxation, Less: Current cost adjustments, Current cost operating profit, etc.

keep their bases topped up. Mr. Richardson is a banker; his phraseology reflects this, and his utterances always show that he is well aware of the needs and virtues of banks. Where this logic led him, and perhaps may also lead the Inland Revenue study group, is to a recognition of "the case for seeking to introduce something close to a monetary working capital adjustment in the tax system."

Insider dealing

Chief Executive of Chartered Institute of Secretaries and Administrators. Sir, — The Government's proposals for making insider dealing a criminal offence will, in my view, be considered at the committee stage of the Companies Bill which is before the House. The Institute has always supported the principle; but we feel it is necessary to advise directors and company secretaries that under the clauses proposed, company directors are likely to be "insiders" within the meaning of these clauses for 24 hours a day and 365 days a year.

Although the defence clause is adequate (no change from the present Government's draft) and prosecution will have to be initiated by the Department of Trade or the Director of Public Prosecutions, the fact remains that no director can be advised, if these clauses become law, that he will be safe from complaint, accusation and even prosecution at any time and in any circumstances he deals in his company's shares — far more serious constraint than the Stock Exchange Code provides.

The experience of our members is that directors are generally scrupulously careful, even over-cautious in this matter. The effect of the clauses is therefore likely to be that directors will be disinclined to hold shares in their own companies or inhibited from dealing in them, if they do maintain a holding.

It is therefore a matter of urgency that an exemption clause should be devised and introduced which will allow directors acting bona fide to hold shares in their own companies and to have a reasonable opportunity to buy or sell such shares. If such a clause cannot be devised, it is possible that the whole idea of making insider dealing a criminal offence will need to be dropped — in the interest of the honest.

We seek to draw attention to this situation which we cannot believe the present Government intend to bring about. B. Barker, 16, Park Crescent, W.1.

Directors' conduct

From Mr. L. Price, QC. Sir, — I have read the Department of Trade's consultative document of October 22. According to that document "the Government considers that insider dealing should... be made a criminal offence at the earliest opportunity." The argument in favour of this policy was summarised in the 1977 White Paper "The conduct of company directors" but the argument about account of the difficulty of achieving a satisfactory definition of the offence was not satisfactory, and the re-drafted provisions in the new consultative document remain, in my opinion, fundamentally unsound and unacceptable.

Letters to the Editor

Talking to your colleagues

From the Director General Institute of Marketing. Sir, — The importance of effective communication with employees was repeatedly stressed at the CBI conference but, while most speakers agreed that more should be done at company level to get the business message over, no-one put forward any new ideas on the methods by which management should tackle this vitally important task.

In recent years, particularly in the larger companies, communications with employees has been via the personnel department, the works manager and the company newspaper, if there is one. For some types of information, these are appropriate channels, but they are less effective and sometimes a total failure at communicating the real reasons for the success of one product or the failure of another; the reasons for full or empty order books; the factors affecting customer satisfaction or dissatisfaction; the general direction of the business and its prospects.

Yet in almost every business today there are people who offer three important assets for this vital communications task. They are closest to the customer; they are largely responsible for the prosperity of the company and they are — or certainly should be — skilled at explanation, consultation and even persuasion.

I refer to the many senior marketing and sales executives whose talents are almost totally unused in the sphere of employee communication. Companies often spend thousands of pounds on sales conferences in

The Vale of Belvoir

From Mr. J. Constantine. Sir, — As a subscriber to and admirer of your newspaper I read with disappointment your leading article on Belvoir, October 31 due to its bias, naivety and lack of both sensitivity and foresight. The facts appear to have been twisted to suit the argument. It is easy from the comfort of a City chair to pronounce on what should happen to the countryside and the lives of others. And the arguments of the so-called "environmentalists," whom I prefer in this case to call conservationists, are not, I believe, necessarily nearly as contradictory or irrational as you say.

Letters to the Editor

Talking to your colleagues

order to motivate and inform the sales force. I wonder how much, by comparison, they spend on employee conferences designed to do the same for the remainder of their workforce?

No efficient marketing or sales manager is likely to be looking for extra responsibilities yet poor workmanship, late deliveries and strikes are posing a direct threat to their own jobs. They have either not been given, or failed to take, the opportunity to tell the entire workforce what a satisfied customer really means in terms of future employment, security and prosperity for every one in the company.

As present, I believe that employee communication is being done in the wrong way by the wrong people. It is time that we began to harness the skills of our marketing and sales executives to communicate the company message to employees. Peter B. Blood, Moor Hall, Maidenhead, Berks.

UK-U.S. tax treaty

From Mr. J. Newman. Sir, — The correspondence from Messrs Welch, Gotesman and Grylls leaves out one important consideration which I am sure HM Government would be interested in. When the UK-U.S. Tax Treaty is ratified United Kingdom advance corporation tax becomes repayable to U.S. resident shareholders in UK companies. Likewise some U.S. Federal dividend withholding taxes become repayable to UK shareholders in U.S. corporations. It is estimated by the

Internal Revenue Service of the United States that a net sum in excess of \$300m is payable by the United Kingdom Inland Revenue to the U.S. As part of our expenditure cuts I feel this sum should not be overlooked. Ratification for this reason alone should be delayed and rather than back-dating the treaty to 1973, a later date should be chosen. John A. Newman, Kingsgate House, 115, High Holborn W.C1.

U.S. energy supplies

From Mr. J. Weiner. Sir, — In his "America wallows in self-doubt" (November 9) your distinguished Samuel Brittan tells us that "about half of U.S. energy supplies come from oil and of that a half is imported." This is common knowledge outside America but it is only recently that Americans have begun to wake up to it. The latest polls show that only half of them know it. Even more importantly, the large majority are not aware that they still are, and have been, paying half or less than half for their oil and energy than the rest of us. The oil companies are blamed for any price increases whereas, to put it bluntly, America collectively is garnering higher "windfall profits," at the world's expense by keeping prices down, than all the oil companies put together. America will continue to wallow in self-doubt until its leaders and its people face these facts of life. John M. Weiner, Manor Cottage, Oving, Aylesbury, Bucks.

U.S. energy supplies

of both existing and alternative sources of power are bound to increase. Even known coal reserves in already partly or wholly industrialised areas are considerable, although some may be expensive to tap and are therefore not, it is believed, included in the Coal Board's figures, which are in themselves highly dubious.

As the price of energy increases so will greater costs of extraction in other areas be justified, as will the cost of the minimisation of related environmental disruption, in regard to both of which there are already many precedents, both at home and abroad. This will, of course, affect all types of alternative sources including those mentioned, although, incidentally, it is hard to accept that plants for solar-heating, wave power, etc., must inevitably be located in areas of natural beauty as you imply.

Under the circumstances it is not sensible in the long term to exploit those locations which are already blighted until such time as, hopefully, alternative sources of power are found or as modern technology makes it possible for the Belvoir coal to be extracted with less damage to the environment and with fewer resources? If this is not possible then the coal will still be there — or perhaps the world will even one day realise that it is more important to feed itself than to fritter energy away for non-essential purposes. J. Constantine, Constantine Holdings, 11, Grafton Street, W.1.

The Vale of Belvoir

While the fuel crisis is probably here to stay, and there should be no attempt "to dash Britain's hopes of energy riches in the 21st century," the costs

of profit and loss fail to take into account the change in the real value of corporate monetary assets and liabilities as a result of inflation. A company that is a net debtor gains from inflation as its debt diminishes in real terms, and indeed, to the extent that interest includes an element of real debt repayment, a company even enjoys tax relief for the latter. The argument is thus that its taxable capacity should be increased by this real gain."

While the fuel crisis is probably here to stay, and there should be no attempt "to dash Britain's hopes of energy riches in the 21st century," the costs

other companies were as follows: "This suggests that need for adjustments that cover all financial items, as in the ED 24 proposals, for both a monetary working capital adjustment relating to net trade debtors and creditors, and a gearing adjustment which takes account of other elements in a company's debt." Read as it stands, this seems to imply that he saw the gearing adjustment as just another adjustment for monetary items — calculated on different borrowings but otherwise similar to the monetary working capital adjustment. This is not, of course, what ED 24 envisages. What Mr. Richardson had in mind was rather different. And to judge how logical or equitable his projected adjustment would be, we must be absolutely clear what gearing really means.

To re-explain however briefly the ED 24 philosophy is to risk the loss of half one's readers through boredom and the other half becoming infuriated by over-simplification. But this is perhaps the first explanation which lays it all at the door of Adam Smith.

He was one of the first to differentiate fixed and circulating capital. "Fixed capital is what the owner turns to profit by keeping it in his own possession, and circulating capital is what he makes profit of by parting with it and letting it change masters."

ED 24 draws just such a horizontal line across the balance sheet, using the terminology working capital for the items below it, although not requiring that any label be affixed to those above. It is the items constituting working capital which turn over in the course of the business's operations. If these operations are to be continued at the same real level, and the profit earnings capacity is thus to be preserved, it is the working capital items

which need to be replaced in "real" terms. The cost of sales adjustment allows for the higher costs of replacing stocks. And the monetary working capital adjustment deals with the monetary items in working capital — generally taken to be trade debtors and creditors only.

For the company which has its stocks financed by its suppliers, the cost of sales and monetary working capital adjustments should largely cancel out. But this is the company we have already identified as "undeserving" of the present stock relief — it has no better case for a "current cost" reduction in its taxable profits. There is a third current cost adjustment for depreciation, which will consider below; it is appropriate at this point to revert to the gearing adjustment and its function.

The operating capacity (that is working capital and fixed assets) of most companies is supported in part by shareholders funds, and in part by borrowings. The profits generated out of that operating capacity are calculated after deducting the whole of the current cost adjustments — those adjustments designed to preserve real earning power. However the shareholders' distributable profits do not need to be so heavily restricted, if they can persuade their providers of loan finance to increase that lending. ED24 assumes that the ratio of shareholders' funds to borrowings will remain constant. The gearing adjustment therefore "releases" a part of the current cost adjustments back into shareholders' funds. This part is the proportion "borne" by the lender (through inflation) of the previous restrictions made against those profits.

There has been protracted and acrimonious debate in the accounting profession about this gearing adjustment, and how valid and vital it is. But none of these noisy wranglers is under the impression that ED 24's gearing adjustment is a calculation of gain or loss on holding monetary items. From the Governor's words it might at first appear that the Inland Revenue's study group had leapt to this wrong conclusion. It has not, but we can now explain what it was that the Governor had in mind.

He appreciates that if the monetary working capital adjustment is simply based on trade debtors and creditors, the levels of these might without undue difficulty be manipulated at the balance-sheet date. Tax advantages so obtained would be just as "undeserved" as any stock relief ever was. One way in which the Inland Revenue envisages combating such an abuse would be to allow in the tax computation not the full monetary working capital adjustment, but that figure restricted by its own proportion of the gearing adjustment, i.e. in the example: 100 — (100 x 370 — 1,510) equals 75. Any mathematician would be shocked by the conceptual validity of this idea — and Adam Smith will no doubt turn in his grave, too.

The Governor ultimately turned to depreciation of fixed assets and the tax implications of the current cost adjustment which steps up that charge to provide for replacement of the assets concerned. Because in this and in other proposals he outlined, he made it clear that total tax yields would not be significantly altered, the only practicable solution was to continue the current levels of first year (and initial) allowances based on historic costs of assets. Then, only to the extent that they remained thereafter an undepreciated balance of cost, could replacement depreciation be admitted.

Today's Events

Mr. David Howell, Energy Secretary, addresses Harwich Conservative Association Businessman's Club, House of Commons. Overseas: EEC Agriculture Ministers meet in Brussels. European Parliament in session, Strasbourg. Central bankers meet, Basle. Dr. Wilhelm Haferkamp, EEC Commissioner for External Affairs, in Mexico to improve trade (until November 15). PARLIAMENTARY BUSINESS House of Commons: Debates on Opposition motions on the failure of the Government to support the woolen and textile industries, and on cuts in BBC External Services. House of Lords: Southern Rhodesia Bill, all stages. Select Committee: Parliamentary Commissioner for Administration. Witnesses: Parliamentary Commissioner for Administration and Commissioner for complaints, Northern Ireland, Room 7, 5 pm. OFFICIAL STATISTICS Building societies' receipts and loans for October. COMPANY MEETINGS Amber Day, Churchill Hotel, Portman Square, W. 11.30.

failure of the Government to support the woolen and textile industries, and on cuts in BBC External Services. House of Lords: Southern Rhodesia Bill, all stages. Select Committee: Parliamentary Commissioner for Administration. Witnesses: Parliamentary Commissioner for Administration and Commissioner for complaints, Northern Ireland, Room 7, 5 pm. OFFICIAL STATISTICS Building societies' receipts and loans for October. COMPANY MEETINGS Amber Day, Churchill Hotel, Portman Square, W. 11.30.

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Dunham Mount intends bid for Norwest Holst

BY RAY MAUGHAN

DESPITE extraordinary losses of £4.3m, shares in Norwest Holst climbed 9p to 100p as the two controlling shareholders announced their intention of buying out the minority interest.

Profits before tax and extraordinary items increased from £2.17m to £2.42m on turnover of £89.4m (£83.4m) in the six months to September 30.

However, the civil engineering and construction group has had to provide £4.3m to cover anticipated losses in the refurbishing subsidiary, Marshall-Andrew Group, which was acquired for around £1m in cash last February.

Marshall-Andrew broke even in the 12 months to March 31 on turnover of some £24m, but Norwest yesterday reported that "detailed investigations have revealed a number of contracts with very adverse results and for which provision was not made prior to acquisition."

"No credits have been taken for any claims or compensation which may become available to the group as a result of steps now being actively pursued."

An exceptional payment of £127,000 has been paid into the group pension fund. Two directors, Mr. Raymond Slater and Mr. John Lilley, have informed the group of their desire to enter discussions "which may lead to their making an offer" for the ordinary share capital not already owned by Dunham Mount Holdings.

A private company controlled by Mr. Lilley and Mr. Slater, Dunham Mount acquired a 54.96 per cent holding in Norwest Holst and, under Rule 34 of the City Code, bid for the rest of the equity in the autumn of 1977, at 72p per share.

The chairman, Mr. Edmund Braucher and the then chief executive, Mr. Ted Brain, advised shareholders to take no action. Dunham Mount currently holds 88.7 per cent of the shares.

from both Mr. Slater and Mr. Lilley last February, but was asked to resign two months ago as a result of what was understood to be a policy disagreement. Dunham Mount made it plain when the first offer was announced that it did not intend to apply the compulsory acquisition provisions but would endeavour to maintain the quotation.

Mr. Ian Scarborough, who has succeeded Mr. Brian, said that "it was always generally known that Dunham would bid sooner or later" and Mr. Slater added that the announcement of an intention to bid "had been on the cards for a week or two."

The net dividend has been increased by 25 per cent to 1.99p per share and, although margins have been reduced as a result of increased inflation and more severe competition the group continues to trade successfully and the order book is satisfactory.

The group is still subject to an investigation by the Department of Trade under section 165 (b) of the 1948 Companies Act.

comment

The last time Dunham Mount approached shareholders in Norwest Holst, the bid was triggered by Rule 34 of the Take-over Code and, pitching below the prevailing market price, it might have been said that the offer or was simply going through the motions. Two years later Dunham is looking for outright control and the share price, up 9p to 100p, should have a good deal further to go. Net worth, stripping out the net interim deficit, is 145.5p per share, and the historic fully taxed and diluted p/e is just 3.7. While construction industry conditions are worsening, Norwest should nevertheless still have enough steam this year to reduce the multiple to even lower levels and, assuming a 25 per cent total dividend rise, the yield is 9.2 per cent. The track record since the 1975 slump has been good but the sudden departure two

months ago of the architect of this upturn has never been properly explained and in the background, the Department of Trade inspectors have yet to publish their report.

Interim up at Young Companies

Young Companies Investment Trust is lifting the interim dividend from 1.5p to 2.0p for the year to March 31, 1980. The directors hope that it will be possible to recommend some increase in the final.

Revenue in the half year ended September 30 improved from £225,880 to £297,759, before tax of £91,009 (£77,272). For the year 1978-79 pre-tax revenue was £428,000 from which a total dividend of 4.3p was paid.

Spencer Gears well placed

Spencer Gears (Holdings), the engineering group, is well poised to take advantage of the opportunities anticipated in the next few years, says Mr. F. W. Forbes, the chairman, in his annual statement. The company has made a good start in the current year, with turnover in the first quarter well up compared with the same period last year, and Mr. Forbes is confident of very good results. Profits before tax rose from £390,240 to £450,383 for the year to June 30, 1979, on turnover 14.5 per cent higher at £4.97m— as reported October 19.



Freddie Mansfield
Sir Arthur Norman, chairman of De La Rue, at the Basingstoke banknote division with part of the company's lasergraphic system for controlling, by computer, geometric pattern to give pictorial effects. The group, which produces bank notes for over 70 countries, is today due to announce interim results for 1979.

Medminster in strong position after busy year

Despite a 24 per cent increase in turnover, higher capital expenditure of £308,517 compared with £79,797, and a large tax payment, Mr. John Delaney, chairman of Medminster, points out that group net short-term borrowing at June 30 shows a rise of only £120,873. The balance sheet also shows debtors up by £220,766 to £632,952 and creditors by £266,613 to £719,042, which reflects the higher activity in the group's international shipping and forwarding agency. In the year ended June 30, 1979, profit, before tax, improved from £202,714 to £256,755, on turnover of £5.81m against £4.68m. The group specialises in furniture hire and sales and also trades as a shipper and forwarder. The ultimate holding company is the John Delaney Group. The profit is split as follows: hire and sale £221,909 (£172,164), shipping and forwarding £66,536 (£49,934) and aviation nil (£9,715), less interest of £31,949 (£17,036). The year's tax charge includes a deferred element of £88,927 (£12,430). The directors feel that it is prudent to continue to provide for deferred tax in full bearing in mind that the volume of capital expenditure may not continue at its present level. The chairman reports that despite start-up costs the new London warehouse for Camden Furniture Hire has produced higher turnover and profits. Despite the television strike CFH operated at a profit from September 1.

Ibstock cash call flops as only 44% accept

BY ARNOLD TRANSOROFF

THE SLIDE in the stock market has left underwriters London and Yorkshire Trust taking up a heavy slab of the new shares issued by way of rights by Ibstock Johnson, the Leicester-based brickmaker.

When applications closed, acceptances totalled 3.5m shares out of the 7.9m shares on offer—a total of only 44 per cent. According to the rights issue document, the balance has to be sold in the market by tomorrow if a premium over the issue price of 65p can be obtained.

Prior to the rights announcement on October 18, the share price stood at 82p. Since then the price has contracted sharply, falling another 1p yesterday to 62p.

Meanwhile, the current state of the market is making other rights issues look vulnerable.

At risk over the next few weeks are the Laporte Industries issue to raise £10.6m, and the £2m of new equity capital being called for by Newman-Tunks Group.

In the case of Laporte, 11.58m shares are being offered at 85p each. Last night the company's shares stood at 90p, down 1p. The underwriters are S. G. Warburg.

Hill Samuel and Co are underwriting the cash call by Newman-Tunks. A total of 3.7m shares are being offered at 57p each, exactly the price in the market yesterday.

King and Shaxson

DIFFICULT CONDITIONS due to increases in interest rates at King and Shaxson, banking group, led to unprofitable trading during the half year to October 31, 1979.

The interim dividend is held at 1p net per 20p share, with an additional 0.1247p also to be paid reflecting ACT reduction—the final last time was 2.7852p on profits of £709,000, after tax, minorities, rebate and transfer to contingencies.

Inchcape to quit cocoa

The Inchcape group announced yesterday that it was pulling out of cocoa trading, where it has suffered heavy losses totalling nearly £18m. It has made arrangements to scale down the group's involvement with its Dutch cocoa trading subsidiary, Harbom Amsterdam BV, and transfer its activities to a new company formed by members of the present Harbom management team, backed by two large established commodity groups. The plan is to complete the transfer by June 30 next year.

HIGHLIGHTS

It was a nervous day for financial markets as they sought to anticipate the likely level of M.L.R. on Thursday. Lex looks at the evidence of the slackening economy provided by yesterday's industrial production statistics and retail sales figures. The Government is talking of further tax relief next year and Lex suggests that it will probably not involve income tax but there could be relief on the investment income surcharge. Elsewhere dealings started in the new BP shares in an uninspiring way. Finally Lex considers a new funding technique from the Eurobond market—a floating rate note that turns into a fixed interest note under certain conditions. On the inside pages there are comments on Warner Holidays and Norwest Holst.

Panel to decide on St. Piran bid position

The City Take-Over Panel has been conducting an investigation to establish whether a group of persons has incurred an obligation to bid for Saint Piran after acquiring over 30 per cent of the equity, the Panel said yesterday.

The short statement came a week after the Stock Exchange suspended Saint Piran's shares for failing to supply certain details about its Australian operations. The details were required for a circular about the relationship between Saint Piran and companies associated with Mr. Jim Raper, a former chairman.

The Stock Exchange wanted this statement following the acquisition of a stake of just under 30 per cent by Gasco Investments, a Hong Kong company chaired by Mr. Raper.

Schlesinger Gilt Fund

Income, after tax, of Schlesinger Gilt Fund advanced to £226,137 in the year to October 31, 1979, compared with £281,251 last time. There is a quarterly dividend

of 0.6875p gross, making 2.79p gross. Net assets totalled £8.12m (£4.61m) at the year-end.

London Scottish Finance

Current trading at London Scottish Finance Corporation is buoyant, says Mr. R. H. Landman, the chairman, in his annual statement, and he hopes that this year will enable the company's profitability to be maintained.

As reported October 23, pre-tax profits rose 41 per cent to a record £893,287 for the 53 weeks ended July 31, 1979. Earnings per 10p share increased from 6p to 8.2p and the total dividend is raised to 2.35p (1.45p equivalent). A one-for-three scrip issue is also proposed.

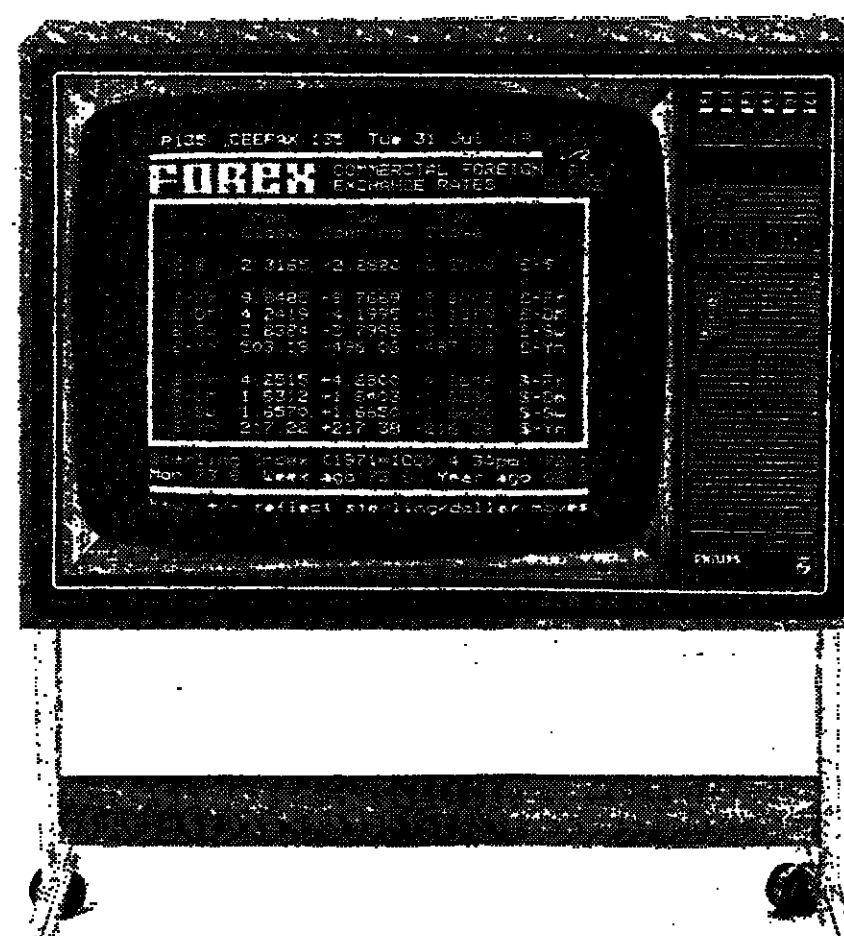
Despite an increase in gross balances from £12.37m to £14.43m, total borrowings only rose marginally from £5.71m to £6.04m. Ratio of borrowings, including all loans, to net assets was further reduced to 13:1.

November 9	Price	%	↑ or ↓
Novoeste	1.32	-0.08	
Banco Brasil	2.36	-0.02	
Banco Itaú	1.43		
Banco Exterior	2.10	+0.02	
Banco Amer.	2.50	-0.02	
Petrobras PP	1.64		
Freltel	1.45		
Socasa	3.20		
União, FE	4.30		
Vale Rio Doce	2.50	-0.05	
Turnover: Cr224.2m. Volume: 109.7m. Source: Rio de Janeiro SE.			

November 8	Price	%	↑ or ↓
Aalard	103		
Banco Bilbao	200		
Banco Central	225		
Banco Exterior	210		
Banco Hispano	204	+0.3	
Banco Ind. Cet.	139		
Banco Madrid	212	+2	
Banco Santander	212	+2	
Banco Urquijo	205	+3	
Banco Vizcaya	208		
Banco Zafra	100		
Dragados	106	-1	
Espanola Zinc	90	-1	
Felisa	60.25	+0.25	
Gal. Frigiditas	65.25	+1	
Hidroila	60.50	-0.40	
Industria	75	+0.50	
Petroliero	81		
Sogefisa	122		
Telefonica	60	-0.25	
Union Sect.	67.25	+1.25	

Company	Current payment	Date	Corr. Div.	Total Div. year	Total Div. last year
Clydesdale Invest	1.45	Jan. 16	1.3	2.15	1.9
King & Shaxson	1.1	Dec. 17	1	3.79	3.79
Robsonite Inv.	2.5	Dec. 22	—	9	—
Secombe Marshall	6	Jan. 2	5.5	14.9	—
Warner Holidays	0.5	Feb. 4	1.85	1.35	—
Western Motor	1	Jan. 2	—	2.46	—
Young Co's. Trust	2.0	Dec. 28	1.6	4.2	—
Norwest Holst	1.9	—	1.59	5.04	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Plus additional 0.1247p.



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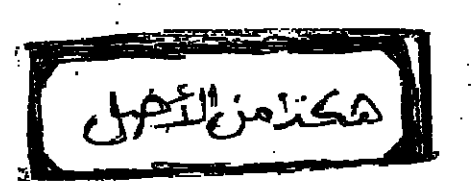
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Implementing this policy over two years, our first step is to increase the dividend by 73.5% in 1979 reflecting the increase in earnings per share to 7.1p (4.5p).

Results for	1979	1978	%
SALES	£25,533,000	£21,480,000	+18.5%
GROUP PROFIT before K-W-A bonus and tax	£4,688,000	£2,713,000	+73.4%
PROFIT available for dividend and retention	£1,923,000	£1,070,000	+81.6%
PROFIT retained	£938,000	£614,000	+52.8%
DIVIDEND per share (net)	3.75p	2.162p	+73.5%

* K-W-A = Kalamazoo Workers Alliance

Prospects

"The Group is in a strong position to benefit from the challenge of the future. In spite of uncertain economic prospects we are continuing our planned high level of development investment."

I. B. Morland, Chairman

The Report & Accounts can be obtained from the Secretary, Kalamazoo Limited, Northfield, Birmingham B31 2RW.

UK COMPANY NEWS

Companies and Markets

BIDS AND DEALS

Senior pays £5m for first U.S. takeover

Senior Engineering Group has acquired the Boiler Tube Company of America, a stockist and manufacturer of boiler-related equipment. Senior has paid \$10.525m (£5.02m) to Lockhart Iron and Steel, a privately owned American group which owned Boiler Tube.

The deal, which included £8.95m for the issued capital stock of Boiler Tube and \$1.575m in respect of a debt to Lockhart, is a major step forward for Senior in the North American market. The net tangible assets of Boiler Tube on September 30, 1979, amounted to \$4.65m before deducting the debt owed to Lockhart.

This is Senior's first acquisition in the U.S. It already has a subsidiary called Senior Industries, which deals in thermal and mining products. Mr. Geoffrey Deveson, the chief executive of Senior, said that Boiler Tube will complement the activities of the U.S. thermal division in the development and distribution of heat exchanger products.

BRENT CHEMICALS BUYS TRI-KEM

Brent Chemicals International has acquired the whole of the issued share capital of Tri-Kem, which makes and markets specialty chemicals for the metal finishing industries.

The purchase consideration of £610,000 was met by the payment of £330,000 and the issue of 133,333 fully paid shares of 10p each in Brent, which rank pari passu with existing shares.

The group chief executive at Costain, Mr. Christopher Wyatt, said that the acquisition of Pearson would be a step along the road to co-ordinating the group's coal mining interests in Australia with contracting.

"We'll be pleased when it goes through because it fits in with plans for growth in Australia and in the group as a whole," he said.

The deal is expected to go through before the end of 1979. In the year to June, 1979, Pearson produced profits of \$81.4m on turnover of \$520.6m. The Costain Group produced a pre-tax profit of \$45.9m last year and analysts expect £50m in the current year.

GEC has only 9.5% of Averys

General Electric Company's initial £90.4m bid for Averys—since lifted to nearly £96m—had been accepted by holders of only 9.5 per cent of shareholders in the weighing machine company by the end of last week.

This is 2 1/2 times the 3.75 per cent received by GEC when the offer reached its first closing date near the end of last month. GEC was obliged by the Takeover Code to state the acceptance level yesterday morning, the first working day after raising its offer from 245p to 265p a share on Friday.

At March 5, Commercial Union was shown to have a 9.36 per cent stake, Excess Insurance 6.69 per cent, Guardian Royal Exchange 18.87 per cent, Prudential Assurance 8.33 per cent, and Royal Insurance 6.75 per cent.

CARLESS/TORCH

Carless, Capel and Leonard has acquired Torch Petroleum for £435,400, partly satisfied by the issue of 51,136 shares.

Torch Petroleum is a Colchester-based distributor of petroleum fuels and lubricants.

ASSOCIATE DEALS

Cazenove and Co., associates of London and Scottish Marine

Oil Company, purchased on November 9 26,500 LASMO shares at 310p each on behalf of discretionary investment clients of Morgan Grenfell and Co.

J. Henry Schröder Waggs and Co., who are advising Averys, purchased 4,000 GEC ordinary shares at 81p on November 9 on behalf of associates discretionary investment client.

Swiss Re. says that it regards its acquisition of 1,221,584 ordinary shares as a trade investment. It has been a major reinsurer of Trade Indemnity for many years.

At March 5, Commercial Union was shown to have a 9.36 per cent stake, Excess Insurance 6.69 per cent, Guardian Royal Exchange 18.87 per cent, Prudential Assurance 8.33 per cent, and Royal Insurance 6.75 per cent.

NO PROBE

The proposed merger of London Scottish Marine Oil and Exploration (Holdings) is not to be referred to the Monopolies Commission.

Western Motor falls at mid term

TAXABLE PROFITS of Western Motor Holdings were down from £660,000 to £467,000 for the first six months of 1979, an increased turnover of £17.18m, against £14.25m.

The directors warn that following the loss incurred by the car delivery division in the third quarter, as a result of the engineering dispute and factory stoppages, the group, as a whole, is unlikely to make a profit in the second half.

For the previous half year, profits dropped from a record £991,000 to £240,000.

Half-yearly earnings slipped to 18.15p (20.93p) per 25p share, but the interim dividend is held at 1p net—last year's final was 1.45771p.

The directors say trading results of the retail motor business were much better than those of the corresponding period last year, but those of the car delivery side were poor due to the severe weather and national transport dispute.

The pre-tax result was struck after interest charges up from £204,000 to £289,000 and higher depreciation of £461,000, against £377,000.

Tax takes £16,000 (£18,000) and there was an extraordinary credit of £84,000, compared with £240,000.

RIT pays more

An interim dividend increased from 2p to 2.5p is announced by Rothchild Investors Trust in respect of the year to March 31, 1980.

Interim figures will be published next month but in the meantime the net asset value per 20p share at October 31 is given as 365p pre-conversion and 350p on a fully diluted basis.

For the year 1978-79 pre-tax revenue totalled £1.76m, from which dividends totalling 9p were paid.

On October 18 RIT launched an offer for Finance Holdings and a week later disclosed that it had secured voting control. It was announced yesterday that the merger was not to be referred to the Monopolies Commission.

Clydesdale little changed

PRE-TAX REVENUE of the Clydesdale Investment Company, rose from £2.11m to £2.22m in the year ended September 30, 1979. First-half revenue had increased from £938,777 to £1,050m.

A final dividend of 1.45p is recommended lifting the total from 1.5p to 2.15p. A one-for-two scrip issue is also proposed on the ordinary and B ordinary shares.

If the scrip issue is approved, the directors will pay an interim for the current year of 0.5p (0.467p adjusted) on the increased capital.

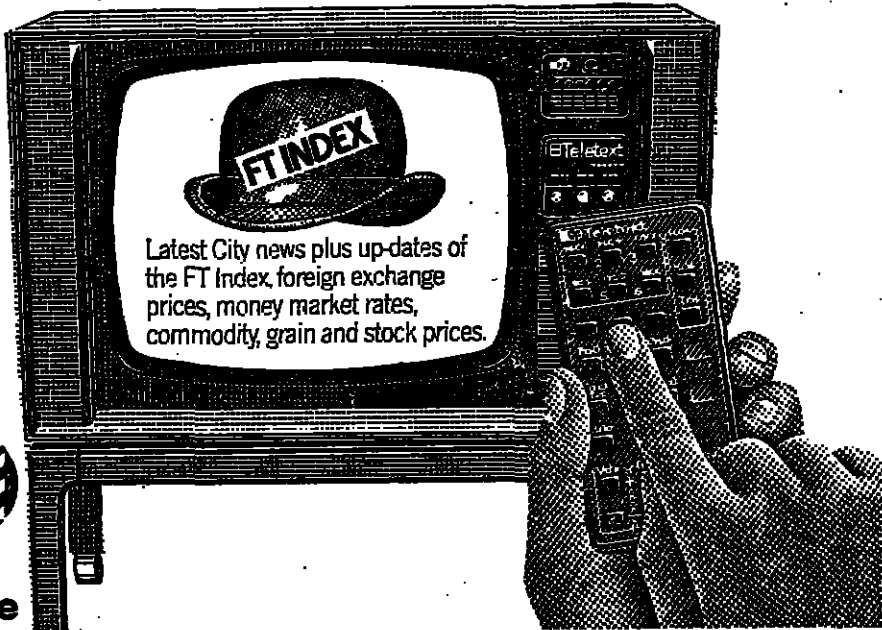
Tax for the year takes £907,551 (£885,305) giving earnings per share of 2.15p against 2p. Net asset value amounts to 108.7p (109.8p).

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You can rely on Pye

Costain Australia bids £3.8m for civil engineer

Costain Australia, the subsidiary of the British-based international contracting company Costain, is bidding for the road to co-ordinating the group's coal mining interests in Australia with contracting.

"We'll be pleased when it goes through because it fits in with plans for growth in Australia and in the group as a whole," he said.

The deal is expected to go through before the end of 1979.

SHARE STAKES

Louis C. Edwards and Sons (Manchester) — The Scottish Northern Investment Trust holds 800,000 ordinary (5.33 per cent). Forward Technology Industries — Mr. G. S. Allen, chairman, sold 160,000 shares and holds 7,100,333.

Lawrie Plantation Holdings — Walter Duncan and Goodricke holds 368,101 ordinary shares (14.08 per cent). Linford Holdings — Guinness Peat Group acquired 17,000 ordinary shares and holds 6.77m (20.03 per cent).

London and Provincial Trust — The Kuwait Investment Office acquired further 100,000 shares making holding 2.03m.

London and Montrose Investment Trust — The Kuwait Investment Office acquired further 80,000 ordinary shares making holding 581,000.

Provincia Landries — Hoover Trust Fund purchased further 50,000 ordinary shares taking holding to 783,769 (9.1 per cent). Institutions hold some 28 per cent of equity, with Mentefith Investment Trust, the second largest holder, having 5.5 per cent.

People International — W. S. Yeates acquired 200,000 ordinary shares making holding 4,941,666 (12.02 per cent).

Adwest Group — The holding by Racial Electronics on November 2, was 1,470,828 shares (15.01 per cent), prior to the capitalisation issue authorised on that day.

M.V. Dart — Board announces that following recent rights issue, certain directors and their families have sold their rights entitlement (or part thereof) nil paid, and as a result 948,972 new ordinary shares have been placed with certain institutions. Following these disposals the directors and their families are interested in 3,731,938 shares representing 21.41 per cent of the enlarged ordinary share capital.

IN BRIEF

LAWTEX — Results for year to June 30, 1978, reported on October 11. Fixed assets £1.59m (£1.52m). Net current assets £3.02m (£2.8m). Secured bank advances £1.12m (£0.59m). Meeting, Manchester, December 5 at noon.

WALKER & HOMER (upholstered furniture) — Results for year to July 31, 1979, already reported. Fixed assets £417,947 (£503,050). Net current assets £532,713 (£424,544). Meeting, Birmingham, December 6 at noon.

GENRY TRUST COMPANY — Results for year to August 31, 1979, already known. Current assets £1.32m (£2.25m), current liabilities £9.56m (£1.38m). Increase in liquidity £20,117 (£39,340 decrease). Meeting, Park House, London, EC, December 14, noon.

WILLIAM BOLTON GROUP — Results for year to June 30, 1978, and prospects, reported October 9. Group fixed assets £8.52m (£3.22m), net current assets £5.86m (£4.32m). Net bank borrowings decreased by £1,000 (£182,000 increase). Meeting, Newcastle, Staffs, December 6 at 12.30 pm.

SINGLO HOLDINGS (tea producers, food processors, manufacturers of soft drinks and giftware) — Results for the year to March 31, 1979, already reported. Group fixed assets £2.59m (£2.26m). Net current liabilities £21,482 (£21,151). Meeting, Empire House, S.E., on December 5 at noon.

COPE ALLMAN INTERNATIONAL (packaging, engineering, fashion and leisure) — Results for year to June 30, 1979, with preliminary statement and current year outlook reported October 5. Fixed assets £43.95m (£32.71m). Net working capital including bank advances £29.81m (£27.4m). Meeting, 116, Pall Mall, SW, December 6 at 11 am.

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American Express International Banking Corporation helps a thriving company go international. This company is one of Europe's leading manufacturers of single-family prefabricated homes. Now they're building new markets. With the help of an investor group formed by American Express Bank. Each member in the group has specialized knowledge of the international marketplace. And our banker is taking an active role in the company's expansion.

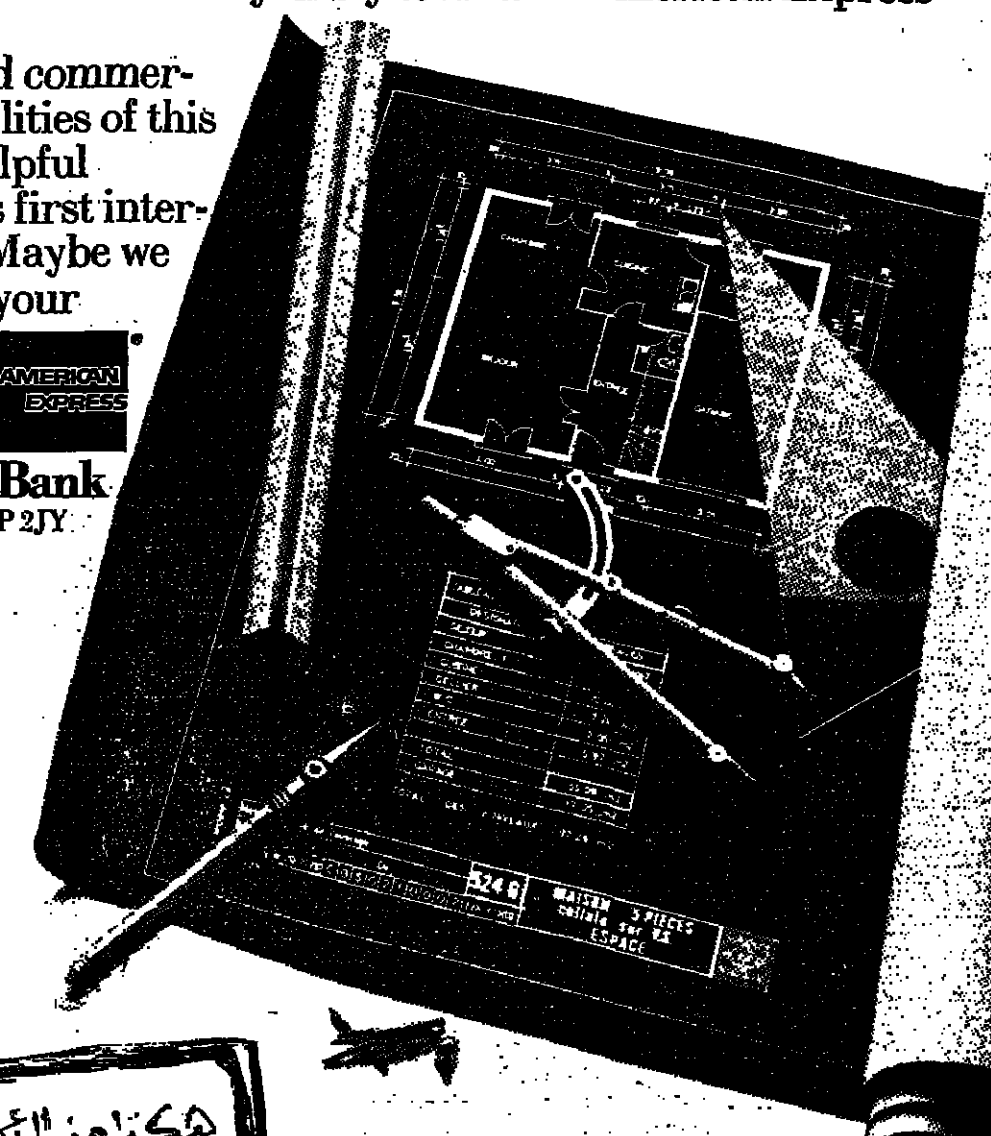
We have a network of offices and subsidiaries throughout Europe, Asia, the Middle East and Latin America. Plus a New York Agency.

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King & Shaxson

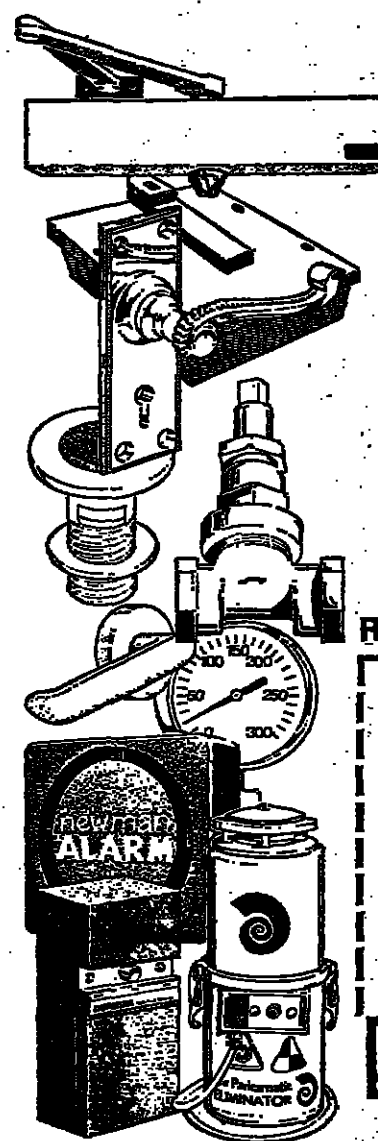
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Portfolio I Income Offer 78.70 Bid 77.04
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Newman-Tonks

Profits up 68%
Sales up 55%

"I believe our enlarged Group will show satisfactory results."

Michael Wright—Chairman



- * Increased profits achieved in a depressed year for the Building Industry.
- * The contribution from Econa has been substantial; I am confident the advantages will be on-going.
- * Rothley Brass' contribution for the seven months since acquisition has been well up to expectations. This company now gives us direct access to the retail trade for our architectural products.
- * Newman-Tonks Hardware Ltd. has acquired an existing building adjacent to the new factory commissioned last year which requires very few modifications before it can be integrated into the main factory; we anticipate substantial benefits in the current financial year.
- * The budgets for the current year are encouraging. Our order books for most companies in the Group are similar in volume to the corresponding period last year, and provided there is no further serious industrial disputes, I believe our enlarged Group will show satisfactory results.

Results in brief

Year ended	31.7.79	31.7.78
Turnover	£000	£000
Profit before Tax	34,641	22,349
Profit after Tax	3,054	1,612
Dividends per share	4.6585p	4.0535p
Earnings per share*	9.88p	8.71p

* Calculated on the basis of a notional charge for taxation of 52%.

Manufacturers and suppliers of a wide range of products, materials and services to the engineering, building and other industries.
Newman Tonks Group Limited
Hospital Street, Birmingham B19 2VG.

November 13, 1979
This announcement appears as a matter of confidentiality.

\$25,000,000

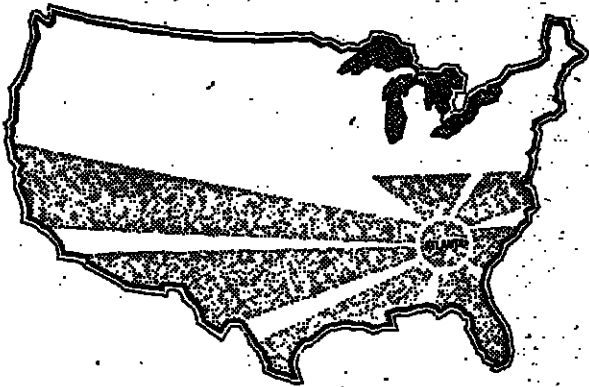
ENSERCH CORPORATION

2,500 Shares, Voting Preference Stock, Series B (Without Par Value)

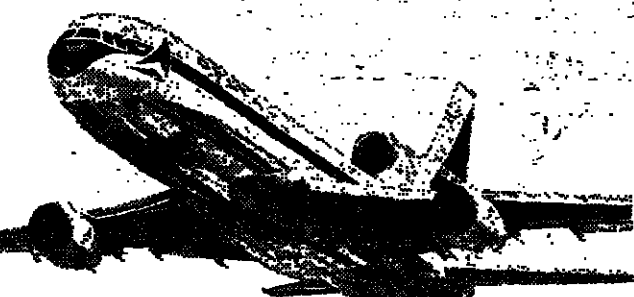
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'Extravagance' in local council pensions

BY RAYMOND NOTTAGE*

BRITAIN'S LOCAL councils, which now employ one in ten of the nation's workforce, make provision for their employees' pensions through four main schemes. They are the Local Government Superannuation Scheme (LGSS), which covers the councils' administrative, professional and technical staffs and their manual workers, and schemes for teachers, police and firemen.

The pensions and kindred benefits paid through these schemes in 1977-78 in England and Wales were as follows:

LGSS basic pensions	£m
.....	225
pensions increases	95
Teachers	300
Police	32
Firemen	30
	745

The LGSS basic pensions are those awarded at the dates of the employee's retirement. The figures for teachers, police and firemen include pension increases.

The police and firemen's schemes are operated on the pay-as-you-go basis—as is, in effect, the teachers' scheme, although that has a notional (or paper) fund which is explained later. Accordingly, the pension payments of £422m made by these three schemes cost the taxpayer that amount and, miscellaneous expenses apart, no more.

The basic pensions in the LGSS are funded, however. They are administered in England and Wales by 85 major local authorities, and at March 1978 had assets worth nearly £3bn. The pensions payable from these funds in 1977-78 amounted to £225m, but the funds had a gross income of no

less than £862m, the main items being:

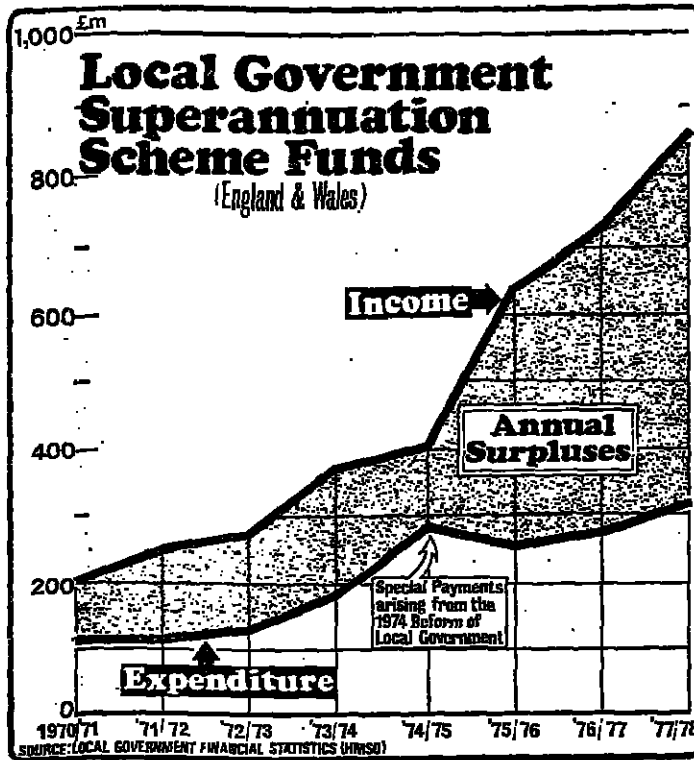
Employers' contributions	£m
.....	324
Employees' contributions	179
Investment income	232

The funds' surplus of income over expenditure was £550m, or nearly two and a-half times the pensions payments. In addition to their employers' contributions to the funds of £324m, however, the local councils had to pay another £58m from current revenue for pensions increases, for which the councils' pension funds have no liability. Thus the taxpaying public met the pensions of teachers, police and firemen at minimum cost. For the pensions of the other council employees they were put to great expense.

The LGSS funds are growing at an increasing rate, as the accompanying diagram shows. In 1970-71 their expenditure was 54 per cent of their income, and they produced a surplus of £94m. In 1977-78 their expenditure was only 36 per cent of their income and their surplus was the £550m already mentioned. The time cannot be far off when their surpluses will approach the £1bn a year mark.

Two questions arise from this. First, what is so special about the local councils' office staffs and manual workers that they justify fund-backed pensions when these have never been thought to be necessary for any other body of tax-supported public servants, civil or military?

Second, why at a time of many fiercely competing claims for support of socially desirable services and projects is so much money devoted to this patently inessential purpose? Convincing answers, one suspects, are likely to be hard to find.



A government wishing to reduce the cost of local council pensions has several possibilities open to it. It could, for example, change the financial basis of the Local Government Superannuation Scheme to one of notional funding and so bring it into line with the teachers, NHS and UK Atomic Energy Authority schemes.

Under this system the Government Actuary would periodically assess the contributions required, on normal actuarial principles, to meet the long-term cost of the scheme's benefits. The interest credited to the balances in the notional

fund would be calculated as though the funds' annual surpluses were invested at current market prices in long-dated Government securities. No stock would be actually bought and held, however.

If the current income from employers' and employees' contributions exceeded the outgo for current pensions, the surplus would go to the Exchequer. In the event of the outgo exceeding the income the Exchequer would make up the shortfall.

The result of operating the LGSS on the notionally funded basis in 1977-78 would have been as follows:

Employers' contributions	£m
.....	324
Employees' contributions	179
less refunds	150
Pensions paid	474
.....	225
Payable to Exchequer	249

Apart from the income accruing to the Exchequer, the 85 existing pension funds would no longer be required. From the purely financial point of view they could be sold to the public, along with the British Petroleum shares, New Town properties and the National Enterprise Board's more profitable holdings. By the time arrangements could be made for their disposal they would probably bring in between £4bn and £5bn.

A proposal to proceed in this way would no doubt meet with opposition from the unions, which would claim that their members had contributed part of the funds and they were not the Government's to sell, at least in their entirety. This difficulty could also arise from a change to the ordinary pay-as-you-go system under which the police and firemen's schemes are financed.

The simplest and least contentious way of proceeding would probably be therefore to maintain the existing funds but to limit their rate of future growth. This could be done by:

- Transferring the liability for pensions increases from the councils' revenue accounts to the pension funds;
- Authorising the councils to discontinue the employers' contributions to the funds;
- Giving the pensioners and employees covered by the LGSS a government guarantee, made

manifest in law, to honour the scheme's present benefits, and any subsequent improvements in them, and to provide Exchequer support in at any time the new financial arrangements proved to be inadequate.

On the basis of the 1977-78 accounts these charges would cause the funds' expenditure to rise by the pensions increase payments of £98m and would reduce their income by the employers' contributions of £224m. The councils and/or Exchequer would have saved £224m, and the funds would still have produced a surplus of the not inconsiderable sum of £128m.

Since these are 1977-78 figures and are for England and Wales only, much larger savings would doubtless be obtainable in the early 1980s for the country as a whole. They would certainly cover the current expenditure savings of £385m which the Government wish the local councils to make as part of their expenditure plans for 1980-81 (Cmnd. 7746, Table 3), and probably do so with a comfortable margin to spare.

As a result of the suggested changes the pensioners and employees covered by the Local Government Superannuation Scheme would suffer no financial loss now or in the future. The arrangements for financing their pensions would accord more closely with those of their fellow public service workers, and their benefits would be met at a much lower cost to the community than at present. All of which suggests in these hard times that this is a matter to which Ministers and councillors should devote their early attention.

*The author was until recently Director-General of the Royal Institute of Public Administration.

The Norwich way is handling our clients with great care.



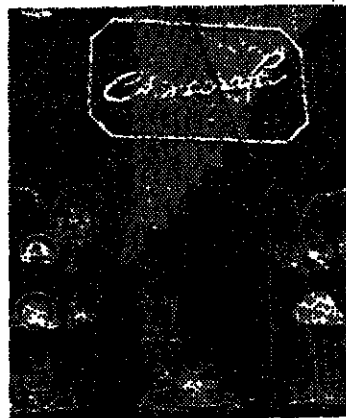
Gerald Lipton of Chinacraft with Eddie Frith of Norwich Union.

At Norwich Union all our clients appreciate one thing above all else.

The way we look after them. And we have been looking after some of our clients from the day they first started in business.

Such is the case with Chinacraft with whom we have been closely involved for almost thirty years, when they were just beginning with a small shop.

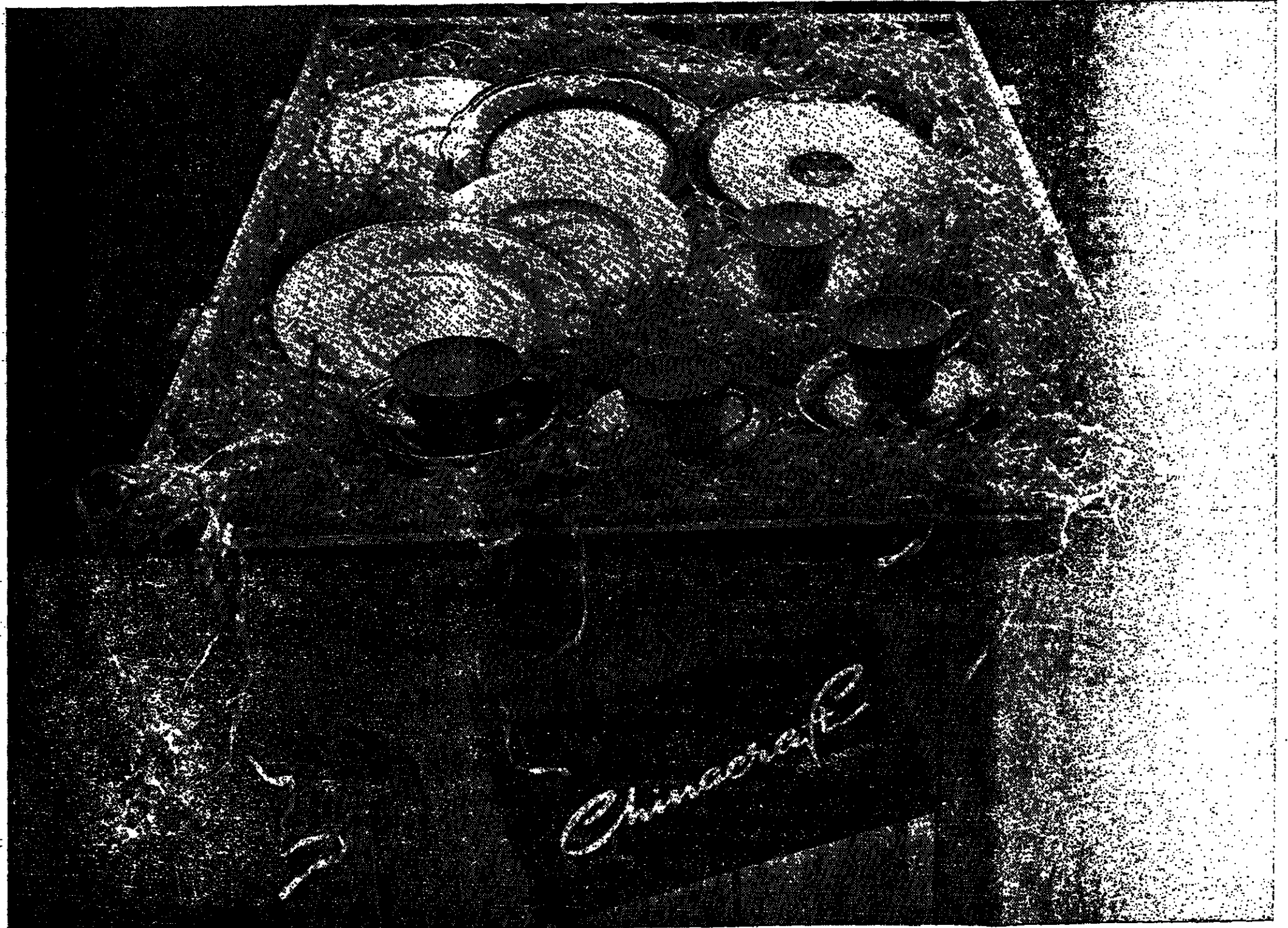
Today they are the largest independent retailers of fine china and crystal in the country, supplying both the public and business communities; looking after their customers as carefully as we've looked after Chinacraft.



Throughout their development they have trusted us to advise them on all their insurance requirements. We insure them against fire, theft, breakage and many other things besides. And we also handle their staff pension scheme and many personal insurances.

In short, we provide Chinacraft with a complete service for their business, and the people involved in it. It's created a very close and friendly relationship; one that we enjoy with all our clients.

Whether big or small, all our policyholders are handled with care the Norwich way.



The discreet money makers of Munich

BY JONATHAN CARR, BONN CORRESPONDENT

MONEY-MAKING IS usually a satisfying activity. For the West German company Giesecke und Devrient (G and D) it is a passion and a vocation.

This Munich-based concern is not only proud of its present position as, among other things, the only private manufacturer of bank notes in Germany. The weight of responsibility for continuing a tradition more than a century old clearly lies heavily on it too.

The feeling conveyed if one is permitted a tour of this normally reticent enterprise is that a perfectly produced bank note has an intrinsic worth above and beyond the worst that politicians and inflation can do to it.

No one creates this impression more strongly than Herr Siegfried Otto, the silver-haired chairman, whose strong enthusiasm for paper money—"the life blood of our civilisation"—is matched by a reluctance to make public any detail which might conceivably prejudice the concern (now owned, incidentally, by the Otto and Devrient families).

For the record, it is worth saying that G and D seems to employ about 1,500 people, that its annual turnover seems to be more than DM 150m (about £40m) and that it appears to have been investing on average about DM 15m a year. These are hardly huge figures in themselves in the land

of the "economic miracle." But one recognises that more is at stake as one emerges through the security precautions—of which, as one company official rightly said, many a central bank would be proud—and stands before the printing presses, specially designed by G and D, to watch that "life blood" flowing by.

It is not simply the elation at seeing such a flood of crisp, clean banknotes (made of special paper manufactured by G and D in its own factory with safeguards against forgery built in at almost every stage of the production process). It is the recognition that foreign banknotes are being printed there alongside the German ones.

Some countries order the notes themselves from G and D, others order the paper for the notes—while others order the machinery and technology to enable them to make the notes themselves. The sensitivity of this role needs little underlining, but two examples of the kind of problems which can arise are worth mentioning.

In one case, a huge consignment of banknotes on its way to a South-East Asian country had to be stopped, then withdrawn under close watch from Singapore when the Government was toppled in the customer state. In another, G and D came into dispute with the British Government when it agreed to supply Rhodesia with

banknotes after the unilateral declaration of independence. The company simply says it initially agreed to the Rhodesian order after full examination of the legal position and that a solution was found which met the position of all governments involved.

Tricky problems are anything

During the time of the Great Inflation Giesecke und Devrient had to print in one year more paper billions than paper millions in the preceding six decades.

but new to the firm founded in Leipzig in 1852 by two partners, Herman Giesecke and Alphonse Devrient, who produced their first banknotes (worth 10 thalers apiece) four years later, to order from the Duchy of Altenburg. Indeed, the changing productions of G and D mirror the political and financial turmoil of the last century and beyond in Germany.

Here, for example, is a rare 50 rupee note made by the company in 1905 for the "German-East African Bank"—the only note to carry a picture of Kaiser Wilhelm II. And here there is

a 20bn Reichsmark note dated October 20, 1923—the purchasing power of which was certainly markedly less on October 21. This was the time of the Great Inflation when, as G and D recall, it had to print in one year more paper billions than paper millions in the preceding six decades.

Domestically, the biggest single boost to the company's business has come from the Federal German Central Bank—initially called the Bank Deutscher Laender, then from 1957 the Deutsche Bundesbank. If you have a Deutsche Mark note in your wallet the chances are it was made by G and D. The only other manufacturer is the Bundesdruckerei, the Federal printing office, in Berlin.

Clearly G and D's long experience was a big factor in its gaining its share of the work. Another could be that the Central Bank was aiming at cost control through a judicious division of labour between the public and private sectors. Whatever the explanation, it is a curious thought that the West German currency comes either from Bavaria, the most independent of the Laender which was slow to decide to join the federation, or from Berlin which strictly speaking is not part of the Federal Republic at all.

As for the company's future activities, they depend not least on the results of the work of its research and development

subsidary, the Gesellschaft fuer Automation und Organisation, also based in Munich, founded a dozen years ago. It employs about 160 scientists, electrical engineers and other specialists and already has to its credit the invention of machines capable of counting, checking and sorting banknotes at high speed, however crumpled or dirty the notes may be.

The machines were developed on the order of the Bundesbank, which had examined foreign developments in the same field but concluded that none was sufficiently secure to merit adoption.

But what if the banknote dies as a medium of transaction through increasing use of cheques, money transfer and credit cards? G and D believe they still have a viable future, but in any case the company has been involved in producing travellers' and Euro-cheques, credit cards and the like for years.

The objects under production may change—but there will never be a lack of demand so long as people feel the need for a medium of exchange. And that is a need, G and D observes, which has existed since roughly the time man invented fire. Clearly, G and D is a company which can afford to take the long view.

secure

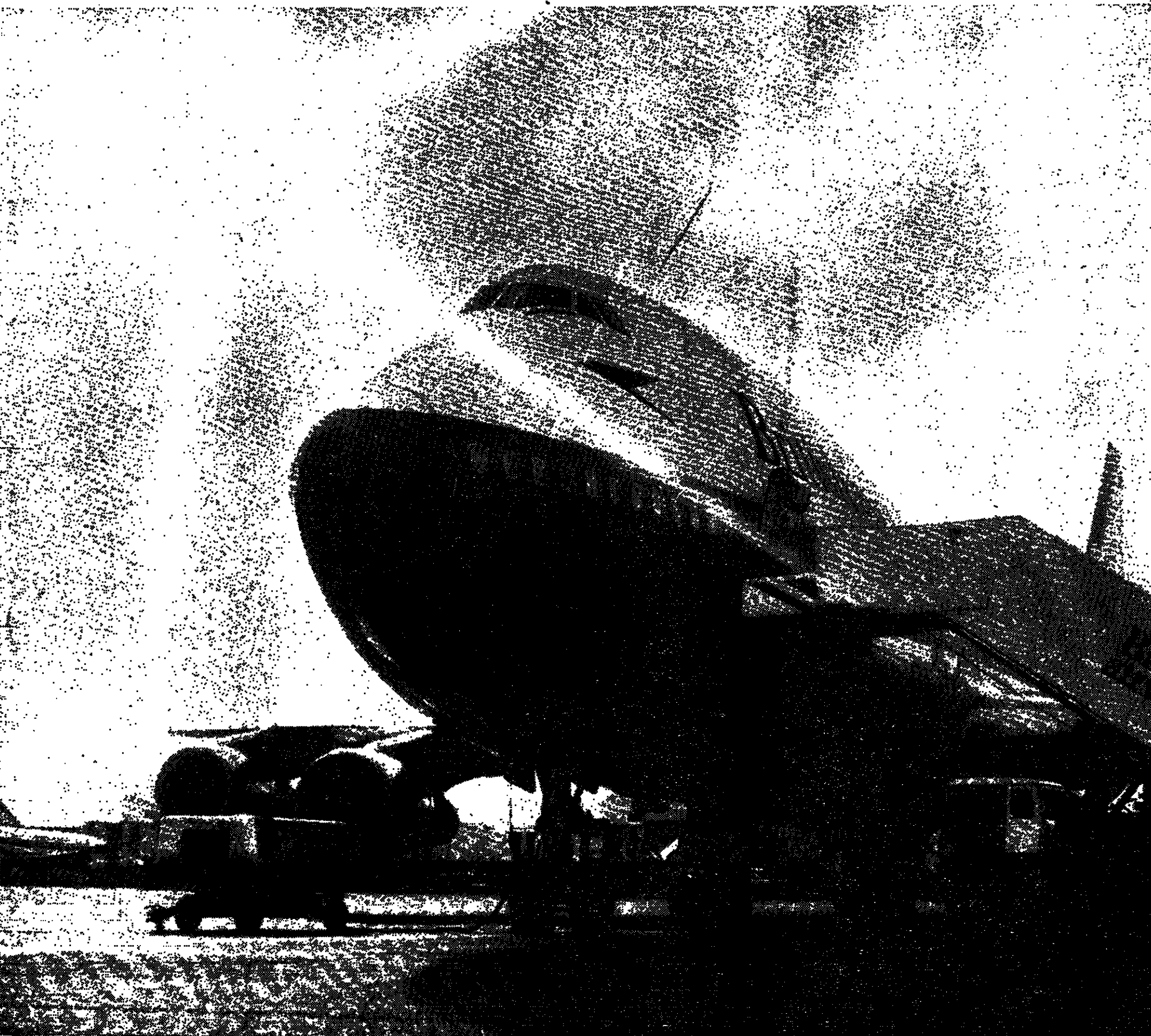
Secure

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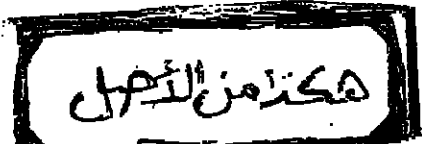
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They're in demand all over today's world. High-technology safety windscreens for cars and aircraft. Bullet and bandit resistant glass for vehicles and buildings.

They're the best. One of these windscreens recently achieved a record 18,000 hours service in a Boeing 747.

And they're developed and manufactured by Triplex—a member of the Pilkington Group and an important contributor to the £100m Pilkington earned for Britain last year.



How's that for enterprise!

RAMAR TEXTILES LIMITED

MANUFACTURERS AND DISTRIBUTORS OF LADIES' CLOTHING
Extracts from the statement by the Chairman, Mr Michael Radin

Results and Dividend I have to report an increase in our profits before taxation, of £79,417 to £285,400. Although the Company had fully sold its production capacity, the problems highlighted in my interim statement on the 16th February, 1979 concerning the industrial climate, together with stoppages due to extreme weather conditions, caused disruption in the early part of the calendar year. This was reflected in loss of anticipated production and a consequent build up of raw materials.

The Directors recommend that an Ordinary Dividend be paid of 10.5 per cent. (15 per cent. gross). The dividend last year was 6.036 per cent. (9.009 per cent. gross).

Future prospects I am pleased to report that the Company has a full order book for the current Autumn season and that the initial selling for Spring 1980 is also encouraging. However, the down-turn in retail sales following the increase in VAT, together with pending high wage claims and the possibility of industrial unrest this winter, makes it difficult to be as confident as our strong order position warrants. The positive demand for the Company's quality merchandise continues to be strong.

SPENCER GEARS (Holdings) Limited

Manufacturing engineers to the brewery industry, manufacturers of industrial gears, and general engineers

	1979	1978
	£	£
Turnover	4,971,000	4,343,000
Profit before tax	450,000	390,000
Retained surplus	297,000	275,000
Earnings per share	4.15p	3.62p
Dividends per share	0.90p	0.6065p
Net assets per share	20.29p	16.75p

Southern Industries (Croydon), Southern Industries (Coventry) and Spencer Gears made noticeable increases in turnover and profit. Coolers obtained a larger share of the beer cooler market, and the other two major subsidiaries are moving into new buildings to provide much-needed capacity. Capital investment in 1978-79 was over £800,000, and in the current year over £750,000 will be invested.

The company has made a good start to the current year with turnover in the first quarter well up compared with the same period in 1978. I am confident the results for this year will be very good.

F. W. Forbes, Chairman

Copies of the annual report are available from the Secretary
SPENCER GEARS (HOLDINGS) LIMITED
Roger Street, London WC2N 2JX

Lawtex Ltd

Manufacturers of Clothing and Umbrellas

YEAR ENDED 30th JUNE	1979	1978
Turnover	£14,774,897	£12,458,851
Group Profit before Interest	£382,222	£344,159
Profit before Taxation	£412,758	£501,985
Profit after Taxation	£382,222	£470,218
Share Capital	£500,000	£500,000
Reserves	£3,050,822	£2,739,850
Dividends	14.25%	12.89%
Earnings per share	19.1p	23.5p

Mr. G. M. Schaefer, the Chairman, reports:

- * Turnover increased by 18.6%.
- * Exports up from £2.87m to £4.3m—29% of total turnover.
- * Dividends 3.56p per share—covered 4.1 times.
- * Sales per employee increased by 22%.

Copies of the Report are available from the Secretary,
Lawtex House, Holt Lane, Fallowfield, Manchester M35 9NH.



U.S. \$50,000,000 Hapalim International N.V.

Guaranteed Floating Rate Notes 1984

For the six months 13/11/79 to 13/5/80

The Notes will carry an interest rate of 15 1/4% per annum

Coupon Value \$793.09

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The end of a Pacific condominium

BY PHILIP BOWRING

UNIQUE form of government is on the verge of becoming extinct. Britain's Minister for Foreign and Commonwealth Affairs, Mr. Peter Carington, recently helped seal its fate when, at a meeting in the pithy, Villa with French officials and local representatives, a constitution for the New Hebrides was agreed. Independence will follow next year. This will disappear the last remaining condominium in the Pacific, the British and French condominium in the New Hebrides. For 100,000 Melanesians, the south Pacific island territory, it is a matter of coping with the consequences of this particular form of colonial rule.

The New Hebrides can claim to have been the only true condominium. The first official designated condominium was the Anglo-Egyptian Sudan, which lasted from the Battle of Omdurman in 1898 to the Sudan's independence in 1956.

But the Sudanese condominium was not a partnership of equals. The British and French did so equally, but separately. The outcome was a state of affairs, where each side had its own separate administration, with its own police force and legal system.

Like their administration, the people of these small islands were divided. They were bilingual—French, English and the multiplicity of local languages characteristic of the area. They were divided by religion—Catholic and Protestant—and by geography, because some of the islands are remote from the others. They were so divided economically, with a usual colonial mixture of indigenous subsistence and a modern expatriate-run, sea-oriented plantation and trade sector.

None of this made promising material for "nation-building," while the colonial powers sought to divide the Melanesians into separate units, each with its own language. The lingua franca of the islands is a local form of Melanesian pidgin known as Bislama. In addition, political party has grown over the past eight years which can now claim to be genuinely national in character.

Originally known as the New Hebrides National Party, it was closely linked with Anglophiles and the up-and-coming products of Presbyterian missionary schools. Presbyterianism, the predominant sect, and nationalism have been closely identified with each other.

The party, which changed its name to Vanuatu Pati in 1977, as also developed more than sectarian following. It is expected to emerge as the strongest party in the elections to be held in November and to lead the nation to independence.

The strength of the Vanuatu party was the main reason why France last year abruptly changed its mind about independence for the New Hebrides. Unlike the British, who were more than

willing to dispose of their last colonial obligation in the South Pacific, France and the local Francophones had favoured preservation of the status quo.

Their aim was to keep the Anglophones at bay, and to preserve ties with France and with neighbouring New Caledonia—the wholly Francophone, nickel-rich island which is an overseas department of France.

The well-organised Vanuatu boycotted the Government, even though it was the largest party in the elected assembly, to press for electoral and constitutional reform. The Government was left in the hands of a group of "moderates," but France soon recognised the local political realities. Britain and France dropped their old rivalries and decided to co-operate to bring about a smooth transition to independence.

The Vanuatu is a mildly left-of-centre party whose big aim is to take office, it is likely to be to forge a measure of economic independence while meeting nationalist aspirations. Government revenue is almost entirely dependent on grants from Britain and France, and foreign exchange comes from the same source plus some copra exports and earnings as a tax-free financial centre and tourist destination.

Britain alone is providing \$3.5m this year in project aid and paying for 160 administrative posts. In addition, \$2m has been set aside to fund projects which could eventually generate revenue for the Government.

An independent Government needing revenue will be faced with deciding whether or not to promote the status of the New Hebrides as a tax-haven. At present a handful of foreign banks are established in Vila, including the Hongkong and Shanghai, Barclays, ANZ and Banque de l'Indochine. Some offshore loans are booked through these branches.

There is also an active business in brass plate companies taking advantage of the lack of tax, easy registration and the application of British commercial law. The Vila connection is attractive to Hong Kong companies wishing to avoid that colony's taxes. It is also popular among Australians who looked to Vila after Canberra cracked down on Norfolk Island's status as a tax-haven.

Distance is also a barrier to the development of tourism, and unlike either New Caledonia with nickel or Papua New Guinea with copper, no instant revenue sources have been discovered. Independence will therefore bring a difficult dilemma: whether to encourage expatriate-oriented activities like tourism and banking to generate foreign exchange, or opt for the better-off, reducing consumption of wine, cars and imported food, and try instead to raise the low standard of living of its isolated subsistence farmers and fishermen.

This economic problem is likely to be more of a difficulty than replacing the condominium's awkward dual control system with a unified national administration.

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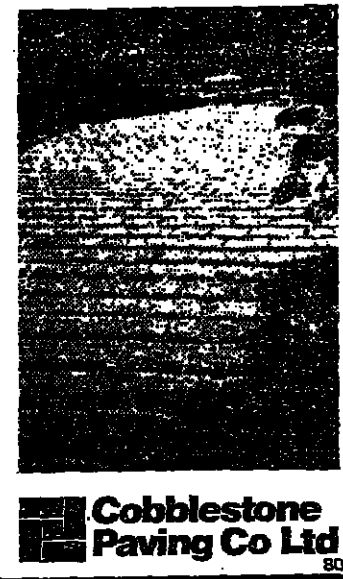
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UK COMPANY NEWS

55 companies wound-up

Orders for the compulsory winding-up of 55 companies were made by Mr. Justice Oliver in the High Court. They were: K. M. Straw; Stovold Serigraphics; Thompson and Riches; Silvergreen; and Rowdec Group Holdings. R and C Boyle; Richard Hodgson; Jimmy Dunn (Motor cycles); GAG Electronics; and Absobent. Bushwade; Clydean; Emden and Miller; Eric Howarth; and E. N. Transport and Haulage. H. W. Associates (Media Enterprises); Nash House Investments; Thornout Properties; and F. M. Rogers. Twig Investments; Alexander Hair Formation; Courtesy Carriers; and Driancrest. Folmead; His and Hers Hairdressing Salons; Ladbail; Longrange; and Povington. Doledeen; Middle East Public Relations Trade Company; Agecalm; Bristol Study Tapes; Camelot Coatings; and F.A. Building. Finality Laminations; J. W. Oliver (Haulage); Manhattan Computer Systems; Prizehurst; and Palmer Machinery. Kokoilli Builders; The Silent Majority Company; Westdeal; Fabrique Enfant; and C.A.C. (Mechanical Services). Trio Homes; Why Pay More; Jason and Lawrence; Ravon Construction; Dajon Fashions; and Kellan. Stow-a-Way Trailers; Canteloves Builders; Cwmbran Building and Roofing; Ecco Engineering; and Strington. A compulsory winding up order made on November 5 against The Court Ballrooms (Batham) was rescinded and the petition dismissed by consent. A compulsory winding up order made on October 29 against Owen Interiors was rescinded and the petition adjourned for 28 days, after it had been stated that the company had been struck off and dissolved.

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Rising costs hit profits at leading Swiss watchmaker

BY JOHN WICKS IN ZURICH

THE LEADING company in the Swiss watch industry, Allgemeine Schweizerische Uhrenindustrie (ASUAG), is to recommend the distribution for the annual year ended June 30 of reduced dividend of SwFr 12 per share, down from the SwFr 16 rate paid for recent years.

fell in the first half of 1979 as a result of the decline in orders due to the currency situation in the second half of last year. However, both orders and turnover are appreciably higher in the second half of 1979, and turnover should be close to that for last year.

slightly to about SwFr 40-45m. The dividend cut should have taken place a year or two ago, Herr Haemmerli said.

Japanese earnings ahead of forecasts

By Richard C. Hanson in Tokyo

A SURVEY of the business results issued so far for the half-year to September 30 shows company earnings running above the earlier forecasts.

First-quarter upsurge for Thomas Nationwide

BY JAMES FORTH IN SYDNEY

RESULTS AT Thomas Nationwide Transport (TNT) the international transport group have started the current year on an even better note than the record 1978-79 period, with a 91 per cent leap in profit for the first quarter to September 30.

half, and that the full year was again likely to bring a record. Mr. Miller also unveiled other developments, including an unsecured note issue, an issue of stock options to shareholders and the introduction of quarterly dividend payments.

notes would be issued at A\$86.28, to give a yield of almost 11.75 per cent and would raise A\$17.3m or A\$21.3m if full oversubscriptions were accepted.

Thiess fights CSR bid

By Our Sydney Correspondent

THE DIRECTORS of Thiess Holdings, the Queensland coal group, again urged shareholders yesterday to reject the A\$460m (around US\$500m) takeover offer from CSR - the largest ever bid in Australia.

Review of bank equity ratios

BY OUR ZURICH CORRESPONDENT

THE SWISS Government will probably determine new equity ratios for banks next year, according to Dr. Hermann Bodenmann, president of the country's Federal Banking Commission, in an interview with the Basle daily Basler Zeitung.

consolidated bank balance sheets, he said, and the development of individual sectors of activity will also have to be taken into account.

third" in an international comparison. However, he pointed to the success of Switzerland's big banks as proof that the ratio requirements are not as great a burden as has been claimed.

Uptrend at drug companies

By Yoko Shibata in Tokyo

EARNINGS OF Japan's top seven pharmaceutical companies remained on an upward trend in the first half of the current fiscal year.

Companies that put special stress on high-margin drugs which they have developed themselves enjoyed double-digit growth in operating profits.

Strong sales offset the government's 3.7 per cent average price cut on drugs, which went into effect last February.

In addition, it is feared that the government's cut in drug prices will affect earnings in the current period.

For the full year ending next March, Takeda expects operating profits of ¥45bn (up 10 per cent) and net profits of ¥16bn (up 17 per cent), on sales of ¥240bn (up 10 per cent).

Sanofi expects operating profits of ¥10.5bn (up 44.8 per cent) and net profits of ¥4.2bn (up 35 per cent), on sales of ¥113bn (up 18 per cent).

Fujisawa expects operating profits of ¥30bn (up 138 per cent) and net profits of ¥13.5bn (up 12.6 per cent), on sales of ¥138bn (up 9.1 per cent).

Shionogi expects operating profits of ¥16bn (down 2 per cent) and net profits of ¥7.7bn (down 2.1 per cent), on sales of ¥129bn (up 7.9 per cent).

Eizai expects operating profits of ¥14.5bn (up 18.9 per cent) and net profits of ¥5.4bn (up 18.7 per cent), on sales of ¥91.5bn (up 10.6 per cent).

Daiichi Seiyaku expects operating profits of ¥8.5bn (up 14.7 per cent) and net profits of ¥3.1bn (up 12.5 per cent), on sales of ¥76bn (up 10.1 per cent).

Banyu Shiyaku expects operating profits of ¥7.1bn (up 4.9 per cent) and net profits of ¥2.9bn (up 9.8 per cent), on sales of ¥55bn (up 8.5 per cent).

Finance merger in New Zealand

BY DAI HAYWARD IN WELLINGTON

TWO GIANTS in the New Zealand agricultural and financial sectors, Challenge Corporation and Broadlands, are undertaking what will be the country's largest financial merger for many years.

Broadlands shares stood at 83 cents, having moved up from 50 cents a few months ago. Challenge Finance has assets of NZ\$50m and shareholders' funds of almost NZ\$8m.

THE NEW ZEALAND subsidiary of the giant Dutch Phillips Electrical Group has made a bid for full control of the Auckland based Pye Electronics.

Challenge held only 5 per cent of Broadland shares at the signing of last week. After the merger, Broadlands will continue to operate as a separate entity - in the Challenge group.

As part of the reorganisation involved in the merger, the minority interest in Broadlands held by the Wells Fargo Bank will be bought by Challenge.

Philips is offering NZ\$1.55 for each Pye share which last Friday was quoted at \$1.25. Recent sales were as low as NZ\$1.10.

Under the arrangement, which is welcomed by Broadland directors, Broadlands will acquire the share capital of two challenge financial companies, challenge Finance and Challenge Securities.

Adding the solidly based Challenge Finance and Challenge Securities subsidiaries to the Broadlands operations will strengthen it considerably.

DUNLOP NEW ZEALAND has reported a 35 per cent profit increase for the first six months of this year. This takes profits to NZ\$638,000 for the half-year.

The offer will be one Challenge share plus NZ\$1.41 cash or every four ordinary Broadlands shares. This values Broadlands shares at 91 cents.

Challenge Finance and Challenge Securities subsidiaries to the Broadlands operations will strengthen it considerably.

The total dividend has been raised to 8 cents a share, covered nearly two-and-a-half times by earnings. David Whitehead is 65 per cent owned in Zimbabwe Rhodesia by the Lonrho group, while the state-controlled Industrial Development Corporation holds about 9 per cent of the equity in Whitehead. It manufactures a wide range of textile goods both for the domestic market and for export.

UMW issue to meet equity rule

BY WONG SULONG IN KUALA LUMPUR

UNITED MOTOR WORKS (UMW) the Malaysian heavy equipment group, has announced an issue of 8m Asiatest Merchant Bankers, says to Bumiputras (Malays), in accordance with the Government policy of encouraging more Malay participation in the corporate sector.

making special issues to Bumiputras. However, Mr. Antonio Salgado, general manager of Asiatest Merchant Bankers, which is advising UMW on the issue, said that the price was based on the revaluation of the company's assets as at June this year.

well during the second half because of strong demand for its products by the logging industry. It promises to pay a 5 per cent dividend on the enlarged capital.

The shares of 1 ringgit each to be sold at 1.4 ringgit, and represent 37.85 per cent of the increased capital of 44.8m ringgit (\$20m).

As a result of the revaluation, he said, the net asset backing of the group was now 1.6 ringgit a share, instead of the 1.3 ringgit at the end of 1978.

DAVID WHITEHEAD Textiles, Zimbabwe Rhodesia's largest textile group, has announced a 54 per cent rise in trading profits for the year to September 30, with pre-tax earnings totaling Rb\$86m on a record turnover of Rb\$228m.

UMW's shares closed at 1.37 ringgit on the Kuala Lumpur stock Exchange ahead of the announcement. Normally, companies offer a substantial discount on the market value when

UMW's first-half profit this year was 5.26m ringgit (U.S.\$2.4m) and showed a substantial improvement over the comparable period last year. The company is expected to do

The company is expected to do well during the second half because of strong demand for its products by the logging industry. It promises to pay a 5 per cent dividend on the enlarged capital.

Vizcaya International N.V. \$25,000,000 Guaranteed Floating Rate Notes Due 1981

Advance at Whitehead Textiles

By Tony Hawkins in Salisbury

DAVID WHITEHEAD Textiles, Zimbabwe Rhodesia's largest textile group, has announced a 54 per cent rise in trading profits for the year to September 30, with pre-tax earnings totaling Rb\$86m on a record turnover of Rb\$228m.

The total dividend has been raised to 8 cents a share, covered nearly two-and-a-half times by earnings. David Whitehead is 65 per cent owned in Zimbabwe Rhodesia by the Lonrho group, while the state-controlled Industrial Development Corporation holds about 9 per cent of the equity in Whitehead.

Investment up at Isuzu

TOKYO - Isuzu Motors, the Japanese motor vehicle manufacturer, is to make capital investments of ¥120bn (\$500m) over the next two years, primarily to develop fuel-efficient small cars for exports.

Isuzu said that the amount was the largest the company has ever scheduled for capital spending. The company plans to invest ¥60bn on research and development, ¥30bn in the expansion of production facilities and another ¥30bn to strengthen its marketing networks.

Other Japanese motor companies are reported to be planning heavy spending programmes - with Toyota Motor Company, Japan's largest, intending to invest a record ¥150bn in the fiscal year ending next June.

Nissan Motor Company ¥110bn - in the year ending next March and Toyo Kogyo Company, the maker of Mazda cars, ¥120bn over the two years beginning next April 1.

PHILLIPS PETROLEUM COMPANY U.S. \$100,000,000 Medium Term Multicurrency Loan to develop the Maureen Field

Focus on Hessische Landesbank - Girozentrale - "Half of Germany's top 10 banks are Frankfurt-based. We're one of them."

Rolinco, one of Europe's largest investment trusts, comments on the world-wide investment climate in its latest Annual Report. It lists its portfolio and its principal purchases and sales and explains the reasoning behind these moves.

THE JOBS COLUMN

Management, Sir Keith, must begin at home

BY MICHAEL DIXON

In Whitehall we've the triple Ds—ES, O, and E; We've Neddies big and little, ITBs and MSG, Subcommittees, working parties, research bodies all advising. But the UK's manpower problem is continuously rising.

Apologies to those overseas readers who do not know what the above abbreviations signify. Suffice it to say that they denote some of the bureaucracies involved in the development and employment of the United Kingdom's workforce. Judged by their apparent effect, they do not have much meaning any way—as the verse implies.

It came into my head during a meeting of the Recruitment Society, held the other night at the Financial Times offices. The speaker was Ken Fraser, industrial director of the major Neddies—the National Economic Development Office. The main problem he was concerned about was the decline in industrial employment caused not by modernisation but by curbs on computerised production. The particular curbs he mentioned were insufficient supplies of essential work skills, and obstacles to the productive deployment of the skills available.

Mr. Fraser made clear that the frustrating deficiencies were not limited to skills of the shop-floor. They were also restricted by managerial inaction: the few production engineers lack of experience in marketing inability among managers to speak the

Education Council, to its honour had responded by scrapping the discredited criterion. What was true of computer work, seemed likely to be true of other occupations where skills were frustratingly lacking. Shouldn't this possibility be rapidly examined, and any unnecessary barriers be cleared away?

Ken Fraser thought so too. He said the lead could best be taken by the Confederation of British Industry, which might bring pressure on its member companies to discard inappropriate criteria for recruitment.

The discussion moved on before I could ask why the CBI? Surely a more ready way of giving momentum to the necessary purge of pedantic restrictions would be for the Civil Service to follow the lead of the Business Education Council. The service could stop recruiting its intake of computer programmers to people with the still higher, and even less necessary "qualification" of pass grades in the 18-plus exams.

But I suppose that any such initiative by the Civil Service Commission would be resisted by my verse's "triple Ds"—the Departments of Education and Science, of Industry, and of Employment. They evidently all have a continuing, perhaps waning, interest in grandly raising the academic barriers to entry to almost any skilled work.

I suppose also that the three of them would be at least equally resistant to another initiative thought essential by the Recruitment Society meeting. It was that the triple Ds should get together with the bureaucracy in charge of housing, whose policies have a crucial effect on the effective, or otherwise, deployment of the workforce.

Personal experience supports this. My two eldest sons lately left the family home in jobs in London. They have tackled it so keenly that I hardly know they were here were it not for the daily growth of the pile of Kentucky Fried Chicken boxes in my house at Greenwich. But if their father had not had that house for them to squat in, the pay that they can justify could not cover both London rent and a way of life nearly so acceptable as the dole would afford in Lyme.

Clearly, as Mr. Fraser declared, the UK needs housing policies that encourage rather than punish economic endeavour. So why don't we have them?

The reason, he felt, was that housing policy in Britain was seen as a social, not an economic concern. We seemed to have an "institutionalised cultural blockage" about such matters.

But even if we freed ourselves of the cultural block and linked housing in with the triple Ds, I suspect that we would still suffer from territorial restrictions. The bureaucracies seem no more willing to sink their separate ambitions in combined endeavour than were Tweedie-dum and Tweedie-dee.

Take for another example my verse's MSC—the Manpower Services Commission which is supposed to be directed by a partnership of Government, the Confederation of British Industry, and the Trades Union Congress.

Further evidence of the bureaucracies' inability to work in concert is provided by the virtual disappearance from the jargon of the word JASP, which was governmentally trendy only four years ago. It stood for a Joint Approach to Social Policy being taken by the various Departments concerned. All that seemed to result from it was a single, nebulous discussion paper whose title nobody I know can remember.

So how even politicians such as the Industry Secretary Sir Keith Joseph have the gall to blame our economic ills on management, unions and "past Governments" astounds me. The seat of the malaise which he said "will turn entire sectors into industrial fossils" surely lies in permanent government.

The UK desperately needs a Joint Approach to Policy on Employment—a JAPE as distinct from the present joke, which grows more unfunny every day. But it will never be a successfully practical JAPE unless Sir Keith and his fellow Ministers set an example, and start firmly managing the Departments for which they are supposed to be responsible.

Gate shut
Some time ago the MSC suggested that the many teenage schoolchildren who seem indifferent to the standard educational "failure" diet of watered-down academic studies, might be the better for being offered alternative courses providing a broad preparation for work. The commission drew up proposals for such "Gateway" courses and started trying to have them adopted in schools.

But the Department of Education and Science was not having its territory invaded. Nor was the notion much liked by the big teachers' unions. So—and I have this on good authority—the education department informally enlisted the unions in harnessing the TUC component of the Manpower Services Commission to help to block the Gateway scheme. Hence the way to infect an effective

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Newly Qualified ACA	£6,000 + Car	London W1	EWA Management Personnel Ltd	
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For the full text of the advertisements please see the Financial Times of that date or telephone Sally Stanley on 01-248 6397

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CURRENCIES, MONEY and GOLD

Companies and Markets

Sterling firm

HE UNDERLYING weakness in the UK economy, which could be highlighted by economic indicators due later this week, seemed to be quietly forgotten as sterling touched a three-week high on its trade weighted index of 68.0, sharply firmer than yesterday's level of 67.3.

THE DOLLAR SPOT AND FORWARD

Table with columns: Day's spread, Close, One month, Three months, % p.a. for various currencies like UK, Canada, France, etc.

THE POUND SPOT AND FORWARD

Table with columns: Day's spread, Close, One month, Three months, % p.a. for various currencies like U.S., Canada, Netherlands, etc.

CURRENCY RATES

Table with columns: Nov. 8, Bank, Special Drawing Rights, European Currency Unit, etc.

CURRENCY MOVEMENTS

Table with columns: Nov. 12, Sterling, U.S. dollar, Canadian dollar, etc.

OTHER CURRENCIES

Table with columns: Nov. 12, Argentina, Australia, Brazil, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Currency, % change, % change against ECU, etc.

EXCHANGE CROSS RATES

Table with columns: Nov. 12, Pound Sterling, U.S. Dollar, Deutschmark, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Nov. 12, Sterling, U.S. Dollar, Canadian Dollar, etc.

INTERNATIONAL MONEY MARKET

Paris call at 12 1/2%
European short-term interest rates showed little change yesterday, apart from the further rise in Paris call money.

GOLD

Firmer tendency
Gold rose \$3 an ounce in the London bullion market yesterday to finish at \$383.394.

UK MONEY MARKET

Large help
Bank of England Minimum Lending Rate 14 per cent (since June 12, 1979)

LONDON MONEY RATES

Table with columns: Nov. 12 1979, Sterling Certificate of Deposit, Local Authority, etc.

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LONDON MONEY RATES

Table with columns: Nov. 12 1979, Sterling Certificate of Deposit, Local Authority, etc.

MONEY RATES

Table with columns: New York, Fed Funds, Treasury Bills, etc.

FRANCE

Table with columns: Discount Rate, Overnight Rate, etc.

JAPAN

Table with columns: Discount Rate, Bills Discount, etc.

WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on November 12, 1979. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise.

Large table with columns: PLACE AND LOCAL UNIT, VALUE OF \$ STERLING, PLACE AND LOCAL UNIT, VALUE OF £ STERLING, PLACE AND LOCAL UNIT, VALUE OF £ STERLING.

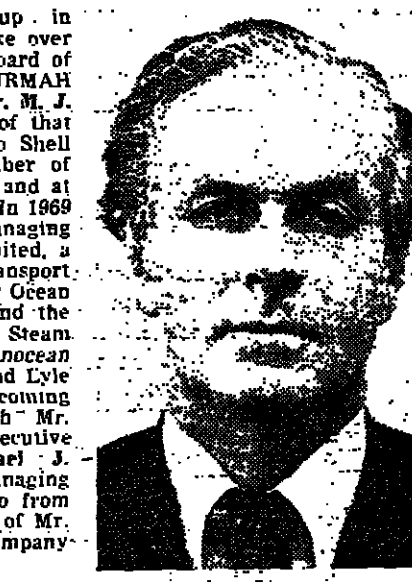
*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. †Based on gross rates against Russian roubles. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados \$ to the dollar.

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APPOINTMENTS

J. Maltby to be director-oil at Burmah

Mr. G. Metcalf has retired from the Board. Mr. C. W. Newton, managing director in charge of securing operations of TURNER and NEWALL, has been appointed group managing director.



EUROPEAN OPTIONS EXCHANGE

Table with columns: Series, Vol., Last, April, July, Stock. Includes sub-sections for BASE LENDING RATES and MONEY RATES.

WORLD STOCK MARKETS

Early fresh Dow rally of 7.5

30

Companies and Markets

NEW YORK

Table of stock prices for various companies in New York, including IBM, AT&T, and General Electric.

Stock

Table of stock prices for various companies, including Coca-Cola, McDonald's, and Ford.

Stock

Table of stock prices for various companies, including Exxon, Shell, and British Petroleum.

Stock

Table of stock prices for various companies, including Amstar, Eastman, and Johnson & Johnson.

Stock

Table of stock prices for various companies, including Schlitz, Schlumberger, and Scott Paper.

THE RALLY which developed at the end of last week on Wall Street was taken a good stage further yesterday morning in light holiday trading.

The Dow Jones Industrial Average, after recouping about nine points last Friday, picked up 7.51 more to 813.99 at 1 p.m. yesterday.

The NYSE All-Common Index recouped a further 44 cents to 58.16, while gains led declines by a two-to-one margin.

Analysts said investors have been cheered by recent money supply figures, which indicate that the Federal Reserve's policies are working and that credit may not have to be tightened further.

Investors were also heartened by reports that Iran was not likely to cut off oil exports to the Shah to Tehran.

Selective Oil issues strengthened. Active Energy rose 1/2 to \$28. It has discovered more natural gas in the Baltimore Canyon area.

Standard Oil of Ohio climbed 1 1/2 to 57 1/2, Superior Oil 6 1/2 to 117 and Cities Service 5 1/2 to 377.

Most active stocks included Georgia-Pacific up 1/4 at \$24 on volume of about 350,000 shares, and IBM, higher at \$62.

Closing prices and market reports were available in most Surate Basin wells.

Oil and Gas index rose 3 1/2 to 3237.7, Golds 25.0 to 1,917.4 and Metals and Minerals 4 1/2 to 1,336.6.

Stock prices were mixed but with a higher bias after fairly active trading. The export-orientated sector, however, provided widespread and sometimes substantial gains.

The Nikkei-Dow Jones Average managed an improvement of 8.32 to 6,414.32, while volume on the First Market section totalled 400m shares.

Among export-related Light Electronics, Sony advanced Y40 to Y1,760, TDK Electronics Y20 to Y1,720, Matsushita Electric Y11 to Y1,721, Nissan Motor Y11 to Y1,680 and Ricoh Y15 to Y1,680.

Chemicals and Pharmaceuticals also closed mainly higher, although there were no particular factors.

Ons, Coals, Shipping Lines and Non-Ferrous Metals, however, were inclined to lose ground on profit-taking.

Non-Ferrous Metals, however, were inclined to lose ground on profit-taking. Among other gains in the metal sector, Crude Oil rose 1.10 to 50.50.

Markets generally closed on an irregular note, but the oil sector was broadly higher, boosted by news of oil strikes at the Thonby Creek Number One well in the Surat Basin in Queensland.

Bridge Oil, operator of the well, rose 62 cents to \$53.90. Among other gains in the oil sector, Crude Oil rose 1.10 to 50.50.

OAC, which has a royalty interest in this well as it does in most Surat Basin wells, closed at \$17.50.

Market observers commented that investors were hesitant over developments in Tehran, rising interest rates in France and uncertainties over the political situation in France.

Oil Shale stocks were again firm, and there was plenty of action in Coal Miners, although TMSX retreated 16 cents to A\$7.00.

Consolidated Goldfields sold its interest in Bellambi Coal to Shell Oil and a local company for A\$440 a share.

Market leader BEP, which has oil drilling interests, recorded an improvement of 8 cents to A\$10.00.

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Indices

Table of stock indices including Dow Jones, NYSE, and Standard and Poors.

NEW YORK

Table of stock prices for various companies in New York.

Stock

Table of stock prices for various companies.

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Table of stock prices for various companies.

Base values of all indices are 100 except NYSE All-Common—50. Standard and Poors—100 and Toronto—1,000. The last named based on 1978. 1 Excluding bonds. 2 1978. 3 1978. 4 1978. 5 1978. 6 1978. 7 1978. 8 1978. 9 1978. 10 1978. 11 1978. 12 1978. 13 1978. 14 1978. 15 1978. 16 1978. 17 1978. 18 1978. 19 1978. 20 1978. 21 1978. 22 1978. 23 1978. 24 1978. 25 1978. 26 1978. 27 1978. 28 1978. 29 1978. 30 1978. 31 1978. 32 1978. 33 1978. 34 1978. 35 1978. 36 1978. 37 1978. 38 1978. 39 1978. 40 1978. 41 1978. 42 1978. 43 1978. 44 1978. 45 1978. 46 1978. 47 1978. 48 1978. 49 1978. 50 1978. 51 1978. 52 1978. 53 1978. 54 1978. 55 1978. 56 1978. 57 1978. 58 1978. 59 1978. 60 1978. 61 1978. 62 1978. 63 1978. 64 1978. 65 1978. 66 1978. 67 1978. 68 1978. 69 1978. 70 1978. 71 1978. 72 1978. 73 1978. 74 1978. 75 1978. 76 1978. 77 1978. 78 1978. 79 1978. 80 1978. 81 1978. 82 1978. 83 1978. 84 1978. 85 1978. 86 1978. 87 1978. 88 1978. 89 1978. 90 1978. 91 1978. 92 1978. 93 1978. 94 1978. 95 1978. 96 1978. 97 1978. 98 1978. 99 1978. 100 1978.

Whaling decision attacked

THE Government has been accused of a climb-down over the stand it took on whale products at the International Whaling Commission's (IWC) annual meeting in London in July. Friends of the Earth, the conservation group, claimed yesterday that according to the Government's latest statement only primary whale products were recommended to be the subject of Common Market controls. "This means that leather materials, shoes, cosmetics, lubricating oils and a variety of other consumer goods which contain whale products will still be allowed into this country," the organisation said. Friends of the Earth claim that since September 19, when immediate talks with IWC partners on a ban on the import of sperm whale oil and other derivatives. "In his letter of October 25 to President Jenkins of the European Commission, Michael Heseltine, Secretary for the Environment, urges the IWC to introduce a ban on the import into the Community of the primary products of all whales," the group said. "Yet in a series of previous statements from other departments, the Government has repeatedly made a commitment to ban all imports of sperm whale products and other derivatives. "This step backwards is totally unacceptable."

U.S. crop forecasts up again

WASHINGTON—U.S. corn production for the 1979-80 season is forecast at a record 7,590 bushels, 3 per cent above last year's forecast and 7 per cent more than last year, the U.S. Agriculture Department said. USDA's latest crop production report said this year's soybean output is also expected to set a record at 2,240 bushels. This is 1 per cent higher than expected last month and 20 per cent above last year's crop.

U.S. commodity chief criticises British 'secrecy'

BY DAVID LASCELLES IN NEW YORK

MR. JAMES STONE, chairman of the U.S. Commodity Futures Trading Commission, has attacked Britain over its handling of commodities futures trading. In an interview with the New York Times published yesterday, Mr. Stone says that the British Government has been "too secretive" in its handling of commodities futures trading. "Now, our problem is being worsened by the Thatcher Government's sudden penchant for secrecy that, by comparison, is putting the Swiss to shame. We can't monitor trading from London. We are in deep trouble. Why? London has always been a major commodity trading centre, and all American futures markets execute a flood of orders from their brokers each day as a routine matter." As Americans see it, Britain is trying to match the U.S. exchanges and regain its leading position in commodities futures trading. It can only do this, many Americans argue, by guaranteeing traders a level of secrecy which is not permitted in the U.S. The CFTC is in an awkward

position. If it is true that speculators outside the U.S. are disrupting U.S. markets, the commission and U.S. exchanges can only respond by tightening regulations. But this in turn drives more people abroad and makes regulation harder still. Mr. Stone, 52, took over as chairman of the CFTC earlier this year with a reputation as a determined regulator, earned when he was insurance commissioner in Massachusetts. However, his recent public appearances and effectiveness have been limited by illness. Our Commodities Staff writes: There was no official reaction in London yesterday to Mr. Stone's allegations. However, it was noted that he was absent from the CFTC meeting recently that proposed that foreign traders on the U.S. futures market should be forced to supply full details of all the clients behind trading transactions.

Sugar price upsurge continues

By Our Commodities Staff

WORLD SUGAR prices continued their recent upsurge yesterday with the March position on the London raw sugar futures market gaining another 0.55¢ to \$17.22, a 10.5 per cent increase in three years. In the morning the London daily raw sugar price was fixed at \$16.3 a tonne, up 5¢. Dealers said there were no new developments to explain the rise, which they saw as a continued reaction to last week's "bullish" news. They said forecasts of world production deficit in the coming season and a threat by President Marcos of the Philippines to hold sugar off the world market were still encouraging speculative buying. The dealers also noted that demand for sugar remained strong as indicated by the good price received for 20,000 tonnes of Dominican Republic raws sold at a tender on Friday. A new contract began trading on the London futures market yesterday offering a much wider selection of raw sugar supplying countries and an effective "free-on-board" tendering system. The Number 4 contract is quoted on a cif basis but deliveries can be made at the seller's option with an adjustment for extra freight costs. The market started quietly with only 531 lots traded compared with 7,847 on the old contract. Number 4 contract is intended to take over eventually but initially will run in tandem with the old contract. Prices quoted for No. 4 sugar yesterday were slightly below old contract values.

INDONESIA Bringing new life to the Garden of Asia

BY RICHARD COWPER

FAMOUS UNDER the former Dutch administration as the garden of Asia, Indonesia was once the world's major rubber producer, a leading centre of coffee, tea, rubber, palm oil, tobacco and spices was up by 33 per cent in the first seven months of 1979 over the corresponding period last year, from \$910m to \$1.2bn. But the present boom has been brought about largely by increasing world commodity prices, and those output gains that have occurred, as in palm oil, are consistent with general production trends, over the past few years and not a dramatic result of the devaluation package. Most experts agree that the supply response of the major traditional export crops is bound to be slow, if only because of the long gestation period of many of the crops involved. The two notable successes in the commodity sector in recent years have been palm oil and coffee. Palm oil production increased from 411,000 tonnes in 1975 to 525,000 tonnes last year, though compared to Malaysia's Indonesia's efforts look puny. Until recently this increase in output had allowed greater quantities to be exported but the growing coconut oil shortage has meant that exports have flattened out as palm oil was diverted into the domestic market as a substitute. Exports declined from a peak of 406,000 tonnes in 1976 to 400,000 tonnes last year. The coffee sector too has shown strong gains, with an increase in production from around 171,000 tonnes in 1975 to 192,000 tonnes last year. Phenomenal world prices in 1977 saw it overtake rubber as Indonesia's leading non-oil and timber commodity export with overseas sales of nearly \$600m. Through this fell back to \$500m last year with a drop in prices, exports for the first seven months of this year are already valued at over \$400m. Elsewhere, however, the picture is hardly exciting, with small production increases or stagnation being the main feature. The gloomiest tale comes from rubber, the commodity which arguably has the greatest potential for expansion: its healthy impact on the

last year as Indonesia's third largest foreign exchange earner with exports of \$698m, rubber output actually fell by an average of 4.7 per cent a year between 1974 and 1977. Ambitious plans to open up 625,000 hectares of new land and move some 2.5m people from over-crowded Java to the Outer Islands over the next five years should make a significant impact on output of these commodities in the long-term. But the major focus will initially be on producing a large increase in food output. This coupled with Repelita III plans for a big push in manufacturing means that Indonesia's once dominant plantation sector has largely been left to fend for itself. While 68 per cent of Indonesia's plantations — on the basis of production — are State-owned, the Government plans to spend only \$1.5bn, or 3 per cent of the Repelita budget, on estates and plantations over the next five years. It sees much of the growth in this sector coming from foreign and domestic private investment. As yet it is too early to say whether the Government's new policy of encouraging foreign investors to enter into joint ventures either with itself or domestic entrepreneurs will pay off. Until now the main complaint from foreigners has been that the 30-year lease on new land which the State offers is not sufficient to allow the investor a reasonable return. While the Government has apparently given potential investors reason to believe that it intends soon to change the law to give them the security they are looking for, as yet it has not done so. Many, however, see the greatest potential gains for Indonesia coming from the smallholders. Government money and efforts would be best spent, they argue, on improving and expanding the existing smallholder sector. Whatever the arguments over how best to make use of limited resources the Government is committed to increasing production of traditional commodities at an average of 7 per cent per annum over the next five years.

Copper market advances strongly

BY OUR COMMODITIES STAFF

COPPER PRICES advanced strongly on the London Metal Exchange yesterday. Cash wires closed \$25 up at \$283.3 a tonne and the three months quotation advanced \$24.75 to \$99.55, a rise further in late Kerb trading to more than \$100. Main buying pressure came from speculators after a rise in the New York market on Friday night and a further increase when New York started trading yesterday afternoon. Encouraging the upward trend was the decision by Asarco, the world's largest producer, to raise its domestic copper selling price by 3 cents to \$1 a lb. In London the firmer trend

in the market was bolstered by a fall in LME warehouse stocks, when a small increase had been forecast. The fall of 725 tonnes in stocks reduced total holdings to 144,935 tonnes. Lead prices were also sharply higher yesterday. Cash lead jumped by \$28.5 to \$202 a tonne widening its premium over the three months quotation which gained \$17.75 to \$588. Warehouse stocks of lead, in fact, rose by 400 to 21,250 tonnes, but this was overshadowed by market rumours of battery manufacturers being short of supplies. Cash tin closed \$50 up at \$7,590 a tonne, in spite of a

NZ abattoir strike ends

WELLINGTON—New Zealand's abattoir workers have agreed to end a six-day strike and take their pay dispute to arbitration. Mr. Jim Bolger, NZ Labour Minister said. The strike had delayed the start of the country's killing season. Uganda is seeking help from New Zealand to restore the country's dairy farming industry which slumped during the rule of deposed dictator Idi Amin. Reuter

Warning of 'massive' food shortage

BY OUR COMMODITIES STAFF

EVEN WITH three times today's level of food aid, the Third World faces the prospect of increasing shortages of food that could spell "economic disaster," hunger and malnutrition on a massive scale by the turn of the century, according to a report presented to a UN food conference which opened in Rome yesterday. The Food and Agriculture Organisation report says an exploding birth rate and rising costs of imports caused by the increasing price of energy

means that poor countries will become increasingly unable to feed themselves. Grain imports of developing countries have grown rapidly in the past four years from 51m tons in 1975 to about 80m tons this year.

BRITISH COMMODITY MARKETS

Table with columns for BASE METALS, COPPER, and other commodity prices. Includes prices for various metals and their changes.

Table with columns for COCOA, RUBBER, and SOYABEAN MEAL. Includes prices for cocoa beans, rubber, and soyabean meal.

Table with columns for PRICE CHANGES. Lists various commodities and their price movements.

AMERICAN MARKETS

Table with columns for GOLD AND SILVER, and other American market prices. Includes prices for gold, silver, and other commodities.

Advertisement for 'The news that happens. Switch on the electronic newspaper from Pye'. Includes a large graphic of a television set.

Table with columns for COFFEE, GRAINS, and NICKEL. Includes prices for coffee, grains, and nickel.

Table with columns for SUGAR, SOYABEAN MEAL, and other commodity prices. Includes prices for sugar, soyabean meal, and other commodities.

Table with columns for EUROPEAN MARKETS, INDICES, and DOW JONES. Includes prices for European markets and various indices.

Advertisement for 'The latest national and international newflashes are broadcast on Teletext within seconds of their arrival at Ceefax or Oracle. With a Pye Teletext TV, you're informed of the key news events well ahead of even the main TV news itself.' Includes a graphic of a television set.

Table with columns for WHEAT, BARLEY, and other commodity prices. Includes prices for wheat, barley, and other commodities.

Table with columns for COTTON, MEAT/VEGETABLES, and other commodity prices. Includes prices for cotton, meat, and vegetables.

Table with columns for MOODY'S, REUTERS, and other market indices. Includes prices for Moody's and Reuters indices.

LONDON STOCK EXCHANGE

Equities down with an uninspiring debut of BP new Gilts also lower as interest rate anxieties increase

Account Dealing Dates

*First Declara- Last Account Dealings... 11th quot cent 1984 was being quoted at 88 1/2 after having been up as far as 88 1/2.

Overshadowed by the surrounding gloom, the much publicised debut of British Petroleum...

The unusual preparations made for the most anticipated issue for a long time proved to be unnecessary.

Equity markets were influenced by the same lack of enthusiasm and overshadowed by a continuation of the downside in gilt-edged securities.

For Government stocks there was little relief and quotations fell for the eighth successive trading session.

By the early afternoon, some longer-dated stocks were showing falls extending to about 1/2 but following the announcement of the October retail sales and industrial production figures for the third quarter a rally began...

Debt repayment hopes flared again in Chinese bonds, bringing gains extending to 8 points in the 4 1/2 per cent 1988 issue at 53 1/2; 5 per cent 1982 rose 4 points to 53 1/2.

Rosehaugh, a good market since the Government's offer for sale was first announced, dealers were still extremely disappointed with the day's trade in 80m new shares.

King and Shaxson down Brown Shipley's decision to precede the major clearers in announcing an increase in base lending rate...

W. H. Smith lower Leading Stores contributed to the malaise with falls ranging to 7 1/2. Nervous offerings ahead of today's first-half figures left W. H. Smith A that much lower at 137 1/2.

Press comment on last week's increased bid for EMI promoted dullness in bidders' shares which gave up 6 to 320p, with EMI drifting 3 lower to 137 1/2 in sympathy.

Breweries and kindred issues drifted lower following an extremely tremulous day's trading, although a steadier note became apparent towards the close and the leaders ended above the worst.

198p, after 193p, while Whitebread reverted to unchanged at 122p, after 120p. Regional issues again encountered small selling and Vaux fell 3 to 125p, while Marston Thompson declined 4 to 99p.

Norwest Hoist, up 9 at 100p in response to the after-hourly announcement of a 10 per cent approach, provided one of the few bright spots in the Building sector.

Woodrow 5 lower at 353p, Coastal Group, 132 and the Devered, 92, reacted 4 apiece, while G. H. Downing closed a similar amount lower at 108p.

Leading Foods ended with modest falls after a subdued business. Rowntree Mackintosh, at 160p, lost Friday's gain of 2 which stemmed from a Dutch acquisition, while Tesco shed 1 1/2 to 394p and J. Sainsbury eased 4 to 283p.

Among Television, Ulster fell back 3 to 73p on further consideration of the lower preliminary profits, while LWT A eased a penny further to 120p in front of Thursday's annual results.

Motor Components began the second leg of the Account in dull mood, Dowty, 257p, and Lucas, 202p giving up most of last Friday's rise.

Traders tended easier, but losses were usually limited to a few pence or so.

9 down at 153p, while fellow gambling concern Coral Leisure slipped 2 to 51p. Warner Holidays held at 45p despite the interim profits standstill.

Misc. leaders dull Fresh concern about higher interest rates took a further hold on the miscellaneous industrial leaders which fell away on renewed selling and lack of support.

Although the recent sharp setback in markets had scaled down expectations for the Government sale of 50m BP shares, yesterday's start of dealings was disappointing.

Textiles declined on a general market down under the lead of Cartrights, 3 off at 75p. S. Lyles 55p and Bellina Knitwear 35p, while both shed 4, while Carpets International dipped 3 to 35p.

Trusts tended easier, but losses were usually limited to a few pence or so.

Lack of support and occasional selling left its mark on the Shipping sector. Furness Withy trading at 222p and P. & O. Deferred 2 to 102p.

Textiles declined on a general market down under the lead of Cartrights, 3 off at 75p. S. Lyles 55p and Bellina Knitwear 35p, while both shed 4, while Carpets International dipped 3 to 35p.

23 to 207, while losses of 10 and 7 respectively were recorded in Wholesale Fittings, 420p, and Ferranti, 358p. Electrocomponents gave up 5 to 393p and Kode 4 to 179p.

The engineering leaders drifted lower on scattered offerings. GKN eased 5 to 238p and Vickers 3 to 115p, while falls of 3 were marked against John Brown, 59p, and Hawker, 153p.

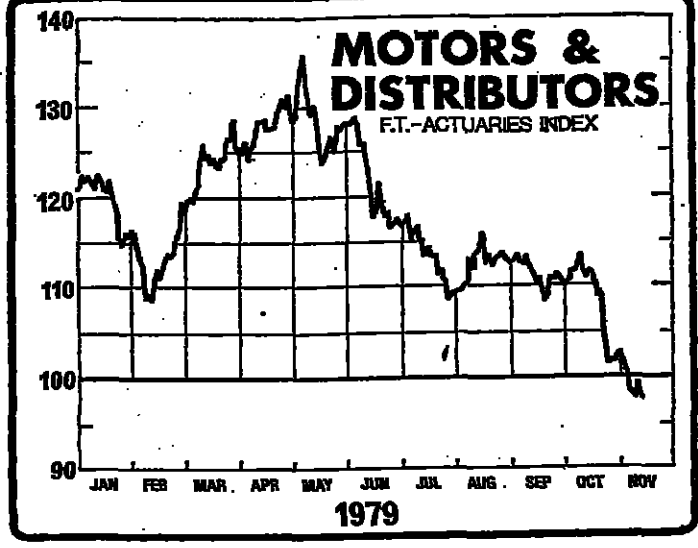
Secondary issues encountered fresh selective selling. Further consideration of the preliminary results brought a marked turn-

round in Wolsey Hughes which fell 18 to 244p, while revived offerings left B. Elliott 6 cheaper at 186p and ML Holdings 5 off at 173p.

Among Television, Ulster fell back 3 to 73p on further consideration of the lower preliminary profits, while LWT A eased a penny further to 120p in front of Thursday's annual results.

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Traders tended easier, but losses were usually limited to a few pence or so.



FINANCIAL TIMES STOCK INDICES

Table with columns for indices: Government Secs, Fixed Interest, Industrial, Gold Mines, Ord. Div. Yield, Earnings, Yld. (Full), P/E Ratio, Net Div. Yield, Total Gains, Equity Turnover, Equity Bargains Total. Rows for Nov. 12, Nov. 9, Nov. 5, Nov. 1, and A year ago.

0 am 417.2 11 am 412.5 Noon 412.9 1 pm 412.3 2 pm 412.2 3 pm 412.4. Latest index 07-288 9022.

HIGHS AND LOWS S.E. ACTIVITY

Table with columns for High, Low, High, Low, Nov. 12, Nov. 9. Rows for Govt. Secs, Fixed Int., Ind. Ord., Gold Mines.

Strid were again sold and closed a like amount weaker at 98p. Friday's support for Bats fell away and that day's gains were reversed with the Deferred losing 5 to 230p.

Gold firmers A firmer trend in the bullion price—finally \$3 up at \$383.50 an ounce—helped South African Golds recoup some of the losses sustained last Thursday and Friday.

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NEW HIGHS AND LOWS FOR 1979

The following securities reached the 1979 high and low levels during the year ended 31st Oct. 1979.

Table listing various securities and their high and low prices for 1979.

RISES AND FALLS YESTERDAY

Table showing percentage changes in various stock indices and sectors.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Large table with columns for Equity Groups & Sub-sections, Mon. Nov. 12, 1979, Fri. Nov. 9, Thu. Nov. 8, Wed. Nov. 7, Tues. Nov. 6, Year Ago (approx.). Rows include Capital Goods, Building Materials, Contracting, etc.

FIXED INTEREST PRICE INDICES

Table with columns for British Government, 1, 2, 3, 4, 5, All stocks. Rows for 1, 2, 3, 4, 5, All stocks.

ACTIVE STOCKS

Table with columns for Stock, Denomina- tion, Closing price, Change on day, 1979 high, 1979 low. Rows include Shell Transport, BP 'New', etc.

OPTIONS

DEALING DATES For Town and City, Premier Oil, Parings, Poseidon, Charterhall, Sound Diffusion, British Land, Marshall's Universal, Fitch Nov. 26 Dec. 7 Mar. 6 Mar. 17

RECENT ISSUES

EQUITIES

Table with columns for Issue Price, P/E Ratio, Div. Yield, etc. Rows include B.P. 'New', etc.

FIXED INTEREST STOCKS

Table with columns for Issue Price, P/E Ratio, Div. Yield, etc. Rows include British Waterworks, etc.

"RIGHTS" OFFERS

Table with columns for Issue Price, P/E Ratio, Div. Yield, etc. Rows include B.H. Proprietary, etc.

LONDON TRADED OPTIONS

Table with columns for Option, Expiry, Closing price, Vol., etc. Rows include BP, B.P. 'New', etc.

UNIT TRUST SERVICE

Advertisement for Unit Trust Service, listing various funds and their performance.

Handwritten text in a box at the top of the page.

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock price, bid, offer, and volume.

INSURANCE—Continued

Table of insurance companies such as Royal Indemnity, Commercial Union Assurance, and others.

PROPERTY—Continued

Table of property-related stocks and investment trusts, including various real estate investment trusts.

INVESTMENT TRUSTS—Cont.

Table of investment trusts, including various funds and trusts like the British Investment Trust.

FINANCE, LAND—Continued

Table of finance and land-related stocks, including banks and financial institutions.

NOMURA advertisement for Japanese leader in international securities and investment banking, with contact information for London.

MINES—Continued

Table of mining stocks, including Central African, Australian, and Tins, with columns for stock price and volume.

MISCELLANEOUS

Table of miscellaneous stocks and commodities, including copper and various other goods.

NOTES

Notes section containing various financial notices, company announcements, and market news.

REGIONAL MARKETS

Table of regional market data, including Irish and other regional stock indices.

INSURANCE

Small table of insurance-related data or stock prices.

PROPERTY

Small table of property-related data or stock prices.

TRUSTS, FINANCE, LAND

Small table of trusts, finance, and land-related data.

FINANCE, LAND

Small table of finance and land-related data.

FINANCE

Small table of finance-related data.

DIAMOND AND PLATINUM

Small table of diamond and platinum-related data.

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FINANCIAL TIMES

Tuesday November 13 1979

"We ought to know more about the companies with which we do business."
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Way open for sale of Shotton and Corby

By Our Industrial and Labour Staff

THE GOVERNMENT gave an assurance yesterday that it would not stand in the way of the sale to the private sector of British Steel Corporation's Shotton and Corby works if a worthwhile private proposal were put forward.

A tentative interest in Shotton, North Wales, was revealed yesterday by Mr. Stephen Gray, who, before nationalisation, was director of John Summers and Sons Shotton's owner. He was sacked by Sir Monty Finiston, BSC's former managing director, in 1972, because he disagreed with the corporation's investment strategy.

Mr. Gray said he was in close touch with merchant banks who would be willing to look at financing the replacement of Shotton's ageing open hearth furnaces with two electric arc units to produce three quarters of a million tonnes of steel a year, if the Government was prepared to divest BSC of the works.

Mr. Adam Butler, Industry Minister, said in the Commons yesterday that he had noted with "considerable interest" suggestions that BSC should consider disposing of Shotton and Corby.

"The Government has made it absolutely clear in regard to Shotton and Corby that, if there is a worthwhile private proposal put forward which will not use public funds, we will not stand in the way."

Permission to make such a sale, however, would be dependent on BSC's agreement. In the light of the severe overcapacity in the steel market, it would seem unlikely that such permission would be given.

But BSC's severe financial problems could conceivably make an attractive offer outweigh other considerations.

BSC said: "If iron and steel-making facilities were sold off, then not only would their load not be placed on to larger and more economically attractive new plants, such as Redcar and Ravenscraig, but the market share of British Steel would be cut by the same volume."

Another hurdle to such a sale could be raised by the European Commission, which is committed to a reduction in steel capacity.

BSC said that no offers to purchase any of its iron and steel making assets had been received.

Mr. Gray said he was thinking of a BP-type solution. The Government would continue to hold 51 per cent of the share capital and private backers the rest. Such a scheme, however, would seem to be ruled out immediately by the Government's stipulation that no public money be involved.

Elast furnace workers' union leaders at the Shotton works said they fully supported British Steel's decision to end steelmaking at the plant.

Some payments at Shotton are thought likely to top the £20,000 mark.

The statement is in line with the stance adopted by blast-furnacemen over other recent steel closures, when they took the offer of redundancy payments first and made further union opposition much more difficult.

The shut-down is due to begin at Christmas and to be completed by March, in order to meet the Government's demand on the Corporation to break even financially by that date.

Local officials agreed to meet again next Monday when the final decision on whether to fight on, or accept the closure and negotiate redundancy terms, will be taken.

Meanwhile, all the unions will be consulting their membership. A mass meeting of Shotton's craftsmen is due to be held on Thursday.

Reduction plants may open, Page 11
Parliament, Page 12

Continued from Page 1 Output

was 9.7 per cent down on a three-month comparison, and metal manufacturing 5.4 per cent.

INDUSTRIAL PRODUCTION
(1975=100, seasonally adjusted)

All Industries	Manufacturing	
1978 1st	106.8	102.1
2nd	110.6	104.4
3rd	111.3	104.7
4th	110.3	103.1
1979 1st	109.5	101.8
2nd	115.8	108.0
3rd	112.6	102.8
April	114.2	104.7
May	115.4	107.1
June	117.9	110.3
July	116.4	107.9
Aug.	111.6	101.4
Sept.	110.0	99.0

Source: Central Statistical Office.

Saudis may raise oil prices to close ranks

BY RAY DAETER, ENERGY EDITOR

SAUDI ARABIA, the world's main oil exporter, may soon bring its prices more into line with those of other crude oil producers.

It is felt within the industry that the kingdom is becoming disillusioned with the results of its moderate oil pricing policy which was largely aimed at maintaining some measure of international economic order.

The official price for Arabian light oil—the grade traditionally used as a reference for price fixing in the Organisation of Petroleum Exporting Countries—is still \$18 a barrel, some \$5.50 cheaper than the contract price for Iranian light oil, a crude of similar quality. And large volumes of light crude oil—much of it from Iran—have been sold on the spot market for \$40 to \$45 a barrel.

The Saudis may decide to impose their own price-increase before the next OPEC ministerial conference in Caracas, Venezuela, beginning on December 17. Saudi Arabia may feel that such a move would go some way towards rationalising the oil pricing structure and towards restoring the solidarity of the organisation.

The authoritative Middle East Economic Survey, forecasting an early Saudi price rise, reported that the Saudi's disillusionment stemmed in part from the large third quarter profits registered by oil com-

panies. It was felt that the benefits of lower Saudi prices had gone to the companies rather than the consumers. Companies believed to have benefited most were those within the Arabian American Oil Company (Aramco), which handles and markets Saudi crude: Exxon, Texaco, Standard Oil of California and Mobil.

Saudi officials are also losing patience with what they see as the slowness of big western oil consumers—the U.S. in particular—in promoting energy conservation and working for the establishment of a new economic order.

Mr. Mohammad Abalkhail, the Saudi Minister of Finance and National Economy, writes in the latest issue of International Affairs, the quarterly journal of the Royal Institute of International Affairs: "What is needed is a major new thrust towards a co-ordinated approach to world development. The issue of oil is one of a complex of issues that now divide the industrial and developing countries."

Despite "exaggerated reactions" to recent oil price rises, the effect on world growth and inflation rates had been quite small—less than 1 per cent on inflation. "Although the indirect effects may be considerable, the recent oil price increase should not pose an insurmountable obstacle to the

control of inflation and the maintenance of the world economy."

But he warned that production increases by the oil-exporting countries to stabilise prices would merely postpone the basic correction.

Some of these issues are to be reviewed by the oil ministers of Saudi Arabia, Iran, Iraq, Venezuela, Kuwait and Algeria when they meet in Saudi Arabia next month to consider a report on OPEC's long-term strategy. The strategy committee was set up in Taif, Saudi Arabia, in May last year to examine OPEC's policy options for the 1980s in key areas: prices, supply and demand and relations with the industrialised and developing consumer countries.

Iran's new Foreign Minister, Mr. Abolhasan Bani-Sadr, said that Iran should raise its oil prices before the OPEC meeting in Caracas next month. "I believe the West does not give us even 5 per cent of the value created by oil in the Western economy, so \$23.50 per barrel (the current price of Iranian crude) is really nothing in this respect."

He told An-Nahar Report and Record, a Lebanese weekly news digest, he also favoured selling a larger proportion of Iranian crude on the spot market.

Tokyo may enter Saudi chemical plant deal, Page 6

Modest retail recovery after tax rebates

BY DAVID CHURCHILL AND PETER RIDDELL

THE FIBN of income tax rebates paid out last month has only produced a modest recovery in the level of spending in the shops, according to new official figures.

A survey of retailers yesterday confirmed there has not been a spending spree over the last few weeks. But most stores report that more recently the cold spell and the start of the pre-Christmas trade have been as important as the tax rebates in boosting demand.

The index of the volume of retail sales was 111.5 (1971=100) in October according to the provisional estimate published yesterday by the Department of Trade. This was about 1.4 per cent higher than in the previous month, and the recovery was concentrated in non-food shops.

However, in spite of this pickup, October sales were a little below the average for the first 10 months of the year. In the three months to October, the volume of trade was 3 per cent lower than in the previous three months, which included the high level of spending ahead of the value-added tax increase.

Mr. Richard Weir, director of the Retail Consortium, said yesterday the slight rise in

RETAIL SALES

Month	Volume 1971=100 (seasonally adjusted)	Value % change compared with year earlier (not seasonally adjusted)
1978 1st	104.4	+13
2nd	107.9	+15
3rd	110.7	+14
4th	111.7	+14
1979 1st	110.3	+13
2nd	116.7	+17
3rd	110.1	+13
July	108.7	+11
Aug.	111.5	+13
Sept.	110.0	+14
Oct.	111.5*	+15*

* provisional estimate.
Source: Department of Trade.

October sales indicated the tax rebates did not reach most people until late in the month. In addition, the relatively mild weather in early October also depressed the seasonal demand for winter clothes.

Mr. Weir said he expected a better retail performance in November and December to

leave retail sales some 4 per cent ahead on the year.

Many retailers reported yesterday there had been no widespread surge in sales.

Mr. David Johnson, chief executive of the Rumbelows electrical goods chain, said there had been no sudden jump in the demand for consumer durables. Demand had been picking up following the slump after the Budget, he said, but was not as high as the pre-Budget spending spree.

However, some retailers, including Marks and Spencer, Tesco, and Selfridges, reported the recent cold weather had substantially boosted demand for clothes. Marks said the change in the weather plus its current price cutting campaign had been as important as the tax rebates in boosting sales. Tesco also said its non-food sales have benefited from price cuts—financed out of advertising revenue saved during the recent ITV strike—as well as the colder weather.

Mr. Roy Stephens, chief executive of Selfridges, said sales had been helped by the recent schools' half term, plus the return of television advertising, especially for toys.

Deadline for Patriotic front

BY BRIDGET BLOOM AND MICHAEL HOLMAN

THE GOVERNMENT has given the Patriotic Front guerrilla alliance 48 hours in which to accept the British plan for an interim administration in Rhodesia or face the breakdown of the Lancaster House conference.

Although no formal ultimatum has been given, Lord Carrington, Foreign Secretary and chairman of the conference, demanded at yesterday's plenary session an answer to Britain's proposal, first tabled last month, "within the next day or two."

In an attempt to put maximum pressure on the Front to accept the plan, British officials are again raising the possibility of a bilateral deal between Britain and Bishop Abel Muzorewa, leader of the Salisbury delegation.

The Bishop accepted Britain's interim plan 10 days ago. He has underlined his impatience with the Front's "delaying tactics" w.

The Front objects chiefly to the subsidiary role and status which, the plan insists, the plan accords to their forces during the transition. Last night, the critical question was whether its objections would prove fundamental or whether they could be resolved within the framework of the British plan.

One indication of compromise is that the Front yesterday asked for a meeting between lawyers of both sides. There was speculation that it would accept the framework of the plan but seek more precise definitions on key issues especially those dealing with the status of the two armies.

If both parties could agree on such a formula the Front might accept the interim plan "subject to satisfactory arrangements being worked out on the ceasefire." This formula would mirror that on the constitution.

Considerable play was being made in Whitehall last night of apparent differences between

Mr. Nkomo's Zapu wing of the Front and Mr. Mugabe, leader of Zanu. It was suggested that Mr. Mugabe's party was holding out against acceptance of the plan.

The suggestions were denied by both Zanu and Zapu. But an intense debate is taking place within and between both wings about strategy over the next few days. This could decide the fate of the talks.

John Hunt, Parliamentary correspondent, writes: A Labour amendment to the Southern Rhodesia Bill stipulating that all-party agreement must be reached at Lancaster House before Britain appoints a Governor to Rhodesia was defeated in the Commons last night by a Government majority of 57 (299-242).

Mr. Peter Shore, Shadow Foreign Secretary, said it would be a bad mistake if, as reported, the Government had delivered an ultimatum to the Patriotic Front on the talks.

Parliament, Page 12

S. East co-ops' merger bid fails

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A PROPOSED merger between two of the leading retail co-operative societies in the south-east has fallen through.

It would have created a trading organisation with annual sales of more than £200m.

Fresh talks are to be held about reviving a long-standing plan for a merger of all the retail co-operative societies in South-East England.

The proposed merger was between the Royal Arsenal

Co-operative Society—the third largest retail co-op in the UK with annual sales of about £140m—and the South Suburban. Between them, they cover South London, Surrey and parts of Kent.

The two societies had agreed in principle last August to the merger. It was seen as a means of strengthening their trading position in the face of the fiercely competitive grocery retailing sector, especially in the south-east.

The CWS's board is to set up a sub-committee of senior members to find a successor to Sir Arthur Sugden, chief executive, who retires next year. The sub-committee is expected to meet in early December.

Union plan for £1.2m anti-cuts campaign

By Philip Bassett, Labour Staff

BRITAIN'S LARGEST civil service union, the Civil and Public Services Association, is preparing for a long campaign against the Government's public expenditure cuts with a ballot of its members on whether to inject £500,000 into the union's fighting fund to support any industrial action.

The strength of the union's determination to resist the cuts can be gauged by the fact that the £500,000 from one union compares with the £1m fighting fund set up before last winter by all nine civil service unions to oppose the Labour Government's then 3 per cent pay limit.

The ballot of the 224,000 CPSA members on whether to switch the money from the union's general to its fighting fund closes on Friday, with the result expected later this month.

Though the method of voting—members are sending individual ballot forms direct to the union's headquarters—precludes union officials from estimating how the vote has gone, members have been firm in their support this year for the executive's programme of industrial action.

The ballot is on top of an earlier call by the union for voluntary donations in addition to normal subscriptions to build up the fighting fund, depleted after three disputes this year.

The fund stood at £1,194,504 at the beginning of the year, but the civil service, Post Office and London magistrates' court disputes since February—which disrupted Government and industrial cash flow, the issue of computer-processed telephone bills and court work—have cost the union £1.6m, of which £1.7m went on strike pay.

Though the fund received more than £300,000 from subscriptions and more than £100,000 in donations during the eight months to the end of August, with a further £200,000 in subscriptions expected by the end of the calendar year, the cost of the disputes leaves only about £300,000 in the fund, or less than £1.50 per member.

Weather

UK TODAY

RAIN spreading from West, becoming windy.

London, S.E. and E. England, E. Anglia

Sunny periods, perhaps rain later. Max. 8 or 9C (46 to 49F).

Central, S.W. England, Midlands, Channel Isles, Cent. Midlands, N. England

Bright at first, becoming cloudy with occasional rain. Max. 9 to 11C (48 to 52F).

Wales, I. of Man

Cloudy, sleet or snow on hills, more persistent rain later. Max. 10 or 11C (50 to 52F).

N.W. and N.E. England, Lakes, Borders, Edinburgh, Dundee, Aberdeen, Moray

Becoming cloudy with occasional rain. Max. 7 or 9C (45 or 46F).

S.W. and N.W. Scotland, Glasgow Cent. Highlands, Argyll, N. Ireland

Rain, snow on hills at first. Max. 8 or 9C (46 to 48F).

N.E. Scotland, Orkney, Shetland

Snow on hills, rain, local gales. Max. 7 or 8C (45 or 46F).

Outlook: Wintry showers, rather cold.

WORLDWIDE

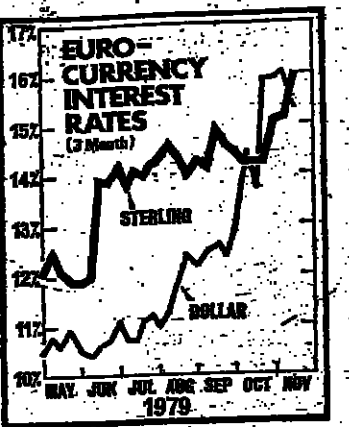
City	Y-day	Today	Y-day	Today
	High	Low	High	Low
Algeria	15	21	15	21
Algiers	17	23	17	23
Amman	13	19	13	19
Athens	19	25	19	25
Bahrein	30	36	30	36
Bangkok	24	30	24	30
Beirut	24	30	24	30
Bombay	24	30	24	30
Buenos Aires	15	21	15	21
Calcutta	24	30	24	30
Cairo	15	21	15	21
Cardiff	7	13	7	13
Casablanca	17	23	17	23
Cebu	24	30	24	30
Chicago	4	10	4	10
Cologne	8	14	8	14
Conhago	8	14	8	14
Copenhagen	11	17	11	17
Dublin	5	11	5	11
Dhahran	12	18	12	18
Edinburgh	3	9	3	9
Florence	12	18	12	18
Geneva	12	18	12	18
Hankow	18	24	18	24
Hong Kong	24	30	24	30
Imbabura	12	18	12	18
London	8	14	8	14
Lyons	8	14	8	14
Manila	24	30	24	30
Moscow	12	18	12	18
Paris	12	18	12	18
Rangoon	24	30	24	30
Riyadh	15	21	15	21
Singapore	24	30	24	30
Sourabaya	24	30	24	30
Taipei	24	30	24	30
Tokyo	15	21	15	21
Yokohama	15	21	15	21

—Cloudy —Fair, Fg.—Fog, R.—Rain, S.—Snow, Th.—Thunder.

THE LEX COLUMN

No pickings for the BP stags

Index fell 7.9 to 413.0



The gilt-edged market continues to look for an economic recession to cure its monetary woes, and so gained some diverted pleasure from yesterday's industrial production and retail sales figures—respectively dismal and sluggish. But these are only tenuous indications, and the market will have to flounder around in limbo until Thursday.

BP

The jobbers did not, after all, need North Sea sou'westers to protect them from a hurricane of business in the new partly-paid BP shares. After a rather sedate debut, the newly-issued stock closed at 154p, 4p above the initial subscription price.

At this level it stands 9p above the fully-paid shares, which fell 6p to 35p. This premium is justified by savings in dealing charges and on the cost of money between now and the 21st per share call in February. For a gross fund, a premium of 13p would be in order, and if the market turns very bullish of BP something even higher than this might develop, given the gearing of the partly-paid stock.

The modest degree of over-subscription—only 14 or so times—does at least suggest that the issue has not been heavily staged, although there may be a certain amount of distress selling if the price falls below 150p. On the other hand, some funds may have received rather more stock than they bargained for, and they at least will not be chasing the price any higher.

In the short term, the persistent weakness of the equity market must pose some threat to the BP share price, which cannot be expected to outperform indefinitely. But there is some feeling that U.S. buying interest might revive as Prudhoe Bay production rises and the next round of Alaska lease sales gets under way.

Drop-lock loans

The so-called "drop-lock floating rate note," a product of the Eurobond market's fertile imagination, has been adapted to raise sterling for UK local authorities. The idea is that a medium-term syndicated loan with interest pegged to short-term rates converts magically into very long-term fixed-rate finance as soon as gilt yields drop to a level which the local authority can live with.

Guinness Mahon discovered

out the haphazard accumulation of capital taxes and to remove the bias against private investment. Abolition of the surcharge is the logical next step in the Government's programme of reducing market distortions coming after the abandonment of exchange and dividend controls. Sir Geoffrey's warning that there will be little room for cut income tax generally do not reduce the prospects of abolition of the surcharge, as the revenue involved is probably no more than £300m.

Abolition would not affect small investors: the raising of the surcharge threshold to £5,000 the last Budget means that of those with portfolios of peaks above £50,000 or so will gain relief. At the margin will persuade some rich individuals to switch more of their capital into the stock market. Within the market itself, abolition of the surcharge shifts demand away from 3 yielding instruments. This scratches the surface, however, given the size of the discretionary relief in favour of pension funds and insurance policies whose reform does not appear to be on the next Budget agenda.

Retail spending

The income tax rebates, which non-food retailers pinning their October hopes seem to have been of a let-down, judging the modest rise in the personal index of retail in September to 111.5 against 109.5 in August. October still showed a rise of some 1.4 per cent on the same month of volume, was less than average for the whole quarter last year. With provision that the provision figures have sometimes revised quite substantially in recent months, it looks though the stagnant trend retail spending in real terms is confirmed.

Investment income

Sir Geoffrey Howe gave a solid hint yesterday that the spring Budget would abolish the investment income surcharge when he talked about the need to sort

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